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Retaliation: Quandary for U.S. Military Strike Would Radically Change Posture in Gulf

By David B. Ottaway and Molly Moore Washington Post Service

WASHINGTON - The Iranian missile attack on a U.S.-flagged tinker inside Kuwaiti waters is forcing the Reagan administration to define with new precision its role and objectives in the Gulf.

Any decision to strike back against the presumed launching site of the Silkworm missile that hit the tanker, the Sea Isle City, on Friday would be likely to radically change the American posture in the

It would end any U.S. pretense of strict neutrality in the Iran-Iraq war, move the United States clearly to the side of Iraq, cross a new line in defense of the Arab Gulf states and open the door to escalation of hostilities between the United States and Iran that could be diffi-

where it portrays itself as a broker in the search for an end to from appearances in mid-July,

Domestically, a U.S. military at-tack would be bound to sharpen

bles with Congress over the War Powers Act. So far, the Democratic-led Congress has failed to invoke the law, but if applied it could give

makers face other dangers if they do not take any armed action. A U.S. decision not to respond would probably raise questions about the seriousness of the commitment to defend U.S.-flagged ships there, about the administra-

Howard H. Baker Jr., said Sunday

tions under consideration.

vait than at the United States.

private Silkworms.

Defense Secretary Caspar W.

denied that its forces fired the mis-

Iran has been blamed for two

On Thursday, a missile hit a su-

pertanker owned by a U.S. compa-

missile attacks against ships off the

Kuwaiti port of Shuaiba

Reagan Won't Disclose Decision on Gulf Action

WASHINGTON — Amid that the administration was constrong signs that military action sulting Congress "as we speak, was being considered, President Ronald Reagan said Sunday that he had decided how to respond to Friday's Iranian attack on a U.S.-lagged tanker in the Gulf, but he declined to say what the decision

Mr. Reagan, returning to the

Missile parts found on an Iranian boat were sent by the U.S. to Afghan rebels. Page 6.

White House from Bethesda Naval Hospital in Maryland, where his wife. Nancy, is recuperating from breast cancer surgery, was asked if he had made a decision on his reponse to the attack, which Wash-

ington has blamed on Iran.

5055 li. "I've made it," he told reporters.

All Asked what he had decided, he replied: "I can't tell you." 1 Jeddah Secretary of State George P. Shultz strongly hinted anurday that a U.S. military re-

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ponse to the attack on the tanker, he Sea Isle City, could be forthoming-scon.

After a meeting with King Fahd of Saudi Arabia, Mr. Shultz said at inews conference that the United states was deliberating the missile inack, which occurred in Kuwaiti

bout what action the United when it might come. But he con-lemned Iran's "unacceptable behavior" and "open hostility toward and Gulf states" such as Kuwait

Mr. Reagan's chief of staff,

Kiosk Swiss Coalition

Retains Majority BERN (AP) — Switzerland elected a new parliament Sun-day with early returns indicat-te that the four-party governnt coalition will easily retain is comfortable majority as the environmentalist Greens made ess headway than expected.

Projections based on incomplete results from all 23 cantons vegested no major change in he makeup of the 200-member National Council, the lower



Karl Lagerfeld's halo effect, part of his ideafilled ready-to-wear show in Paris. Page 5.

GENERAL NEWS

■ The Indian Army sent 2,000 more troops into the battle for the city of Jaffna. Page 2. SPORTS

Atlanta beat Los Angeles, 24-20, on the final day of NFL replacement games. Page 17. BUSINESS/FINANCE

A French firm reportedly sent U.S. machinery improperly to the Soviet Union. Page 11.

Special Today

French banking, set on European leadership, faces a rough ride Special Report, Pages 7-9. in turn, is likely to undermine the U.S. position at the United Na-

the Reagan administration's trou-ready to strike back at any Iranian

NEWS ANALYSIS

Congress a potentially decisive role in Gulf policy-making. At the same time, U.S. policy-

tain to embolden Iran to continue attacks in the "gray area" where the ult to control.

Any perceived loss of neutrality.

tion's readiness to run risks to prevent Iran from "bullying" the weak administration has yet to clarify its rules of engagement, such as Kuwaiti territorial waters. The presumed location of the Silkworm launching site is particu-larly significant. It is at the extreme

southern tip of Iraq's Faw Peninsula, seized in 1986 and still held by A U.S. strike there would aid Iraq militarily and protect Kuwait from further Iranian attacks, two roles the administration has care-

This situation is far different

vhen the U.S. naval escort of U.S.-

Then, the administration seemed

provocation. The Pentagon let it be

known that a military response

could come if Iran took even the

first step toward firing at U.S.-es-

corted tanker convoys in the Strait

of Hormuz by "locking on" the passing ships with Silkworm ra-

Now, Iran has not only "locked

on" to a U.S.-flagged ship but has hit it with a missile warhead, seri-

ously injuring the American cap-

The lack of an American re-

sponse in the Gulf would seem cer-

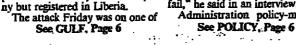
flagged Kuwaiti tankers began.

but he declined to discuss the opfully avoided playing so far in the Unlike the five other Arab Gulf Mr. Baker noted that no one had states that are partners of Kuwait been killed in the attack on the Sea Isle City. Eighteen crewmen were in the Gulf Cooperation Council the United States has no formal commitment to defend Kuwait and He also said the attack appeared has refused to provide arms to Iraq

to have been directed more at Kuor even train its military. Now, however. Arab Gulf rulers and some key congressional leaders Weinberger was asked in a televiare pressing Washington to pass through these thresholds and besion interview if he was certain that Iran had been responsible for the involved in what Representa-"It was an act of the Iranian government, yes," he replied. "Very few people have their own tive Les Aspin. Democrat of Wisconsin, chairman of the House Armed Services Committee, calls a 'policy of containment" of Iran's Iran has neither confirmed nor

revolutionary messianism." Such a move would alter the nature of the Iran-Iraq war in the direction of a Gulf military specialist, Anthony H. Cordesman, calls "a fundamental duel" between Iran and the United States. "Neither side can easily afford to

fail," he said in an interview. Administration policy-makers,





By William J. Broad New York Times Service

NEW YORK - The United States remains deeply committed to the explosive testing of nuclear weapons despite its recent agreement with the Soviet Union to negotiate an eventual total ban on nuclear blasts, government scien-tists and officials say. Other scientists, as well as arms

control experts favoring a test ban, say the policy calls into question the Reagan administration's sin-cerity in the negotiations, which are scheduled to start before Dec. 1.

Federal officials disagree, saying a test ban is a worthy goal that might be achieved in the 21st cen-

But they also insist that testing will be needed as far into the future as they can now see, to gauge the reliability of aging nuclear weapons, to fashion new warheads and to create exotic new arms for President Ronald Reagan's plan for a defense against attacking missiles.
At least three types of such devices for the Strategic Defense Initiative have advanced to the point of explosive testing at the government's

nuclear test site in Nevada. Underscoring the strong desire of many officials to continue testing, a senior official of the Energy Department, which designs and produces the nation's nuclear warheads, said in congressional testimony recently that the development and testing of advanced anti-missile weapons offered the West a chance to gain superiority over the Soviet Union in an important new

phase of military technology. Critics, however, say that nuclear reliability can be assured without testing and that the search for superiority is futile at best and dangerous in its potential to undermine nuclear stability.

Experts on both sides agree that a test ban would halt nuclear advances. They say the perfection of a new weapon requires a complex process of design, testing and redesign. The number of tests needed can range from three or four to a hundred or more, depending on the complexity of the device. So far this year, the United States has announced a dozen nuclear tests at its underground site in Nevada.

The official government position is that a complete test ban will occur only when there is no longer a need to rely on nuclear weapons for deterrence," said Bernard Halloran of the Arms Control and Disarmament Agency.

Nevertheless, the United States See TEST, Page 6



Iranian Revolutionary Guards demonstrating as four wounded colleagues and the bodies of two others were being returned to Iran. The six were victims of a clash between U.S. and Iranian forces in the Gulf on Oct. 8, in which three of Iran's boats were knocked out.

Baker Minimizes Fall in Shares; 'Steadying' Seen

By Fred Farris

nonal Herald Tribune WASHINGTON - The U.S. Treasury secretary, James A. Baker 3d, on Sunday minimized last week's record plunge in U.S. shares, while a leading Wall Street analyst said he expected "some steadying" of the stock market.

The Treasury secretary also repeated hints made earlier last week that the U.S. administration would let the dollar fall in reaction to recent increases in interest rates in West Germany and Japan.

Mr. Baker agreed with the analyst, Henry Kaufman, chief economist of Salomon Brothers Inc., that U.S. economic fundamentals "are in pretty good shape." However, Mr. Baker declined to predict what the Wall Street markets would do following Friday's 108.35-point fall in the Dow Jones industrial aver-

The slump was a record in point terms, but the fall of 4.6 percent was far below the 12.9 percent plunge on Oct. 28, 1929, the day of the historic Wall Street crash.

Triggered by disappointing U.S. trade figures for August and the resulting rise in interest rates, the last week, or 9.5 percent, the largest weekly loss since World War II.

Mr. Baker, appearing with Mr. Kaufman on a U.S. television interview program, said the market had undergone "a very, very major correction" but noted that the market had stood at a "very, very high level" before it began to decline

"For many months," said Mr. Baker, "people had predicted that the stock market could not continue to go up. . . it nevertheless did. What we've seen is a major, major correction, but we've seen it from a very high level, and we're back now at the level we were as recently as May 2! of this year.

Mr. Kaufman said: "I would suspect after such a sharp decline that we've had in the past week, investors will begin to reassess what has happened." In a reference to the health of American businesses, he said that the "profit rebound is going to be quite strong."

The influential economist also

said that he doubted that the Federal Reserve Board, the U.S. central bank, would move within the next four weeks or so to raise its discount rate, the trend-setting rate it charges financial institutions.

With a stable monetary policy, he said. "I would expect some steadying in the market after this very significant move that we've had on both interest rates and the equity markets."

"We tend to forget," Mr. Kaufman said, "that when prices go up we don't consider that as volatility: markets clearly dispute. But more it's only when prices so down. We've had a very significant in-crease in stock prices since the start of this year, indeed since 1982. Mr. Baker hinted about a lower dollar when asked about a New

See STOCKS, Page 13

Message From the Markets: Money Talks

By Carl Gewirtz ernational Herald Tribune PARIS - Money talks.

And last week it was shricking. The message: If governments are unable to reduce the U.S. trade deficit, the markets will.

Financial markets everywhere are in a parlous state. But New York erupted in a paroxysm of disillusion after Wednesday's report ing industrial nations to stabilize that the U.S. merchandise trade currency values. The fact that cenrowing in five months, it was not nearly enough of an improvement to be convincing.

Surprisingly, there was relatively 20 basis points — as money seeking inflation are exaggerated — a view little reaction in the foreign exchange market. However, many ex-peris anticipate that will change

The dollar has been held in a relatively narrow range since February's agreement among the lead-

NEWS ANALYSIS

deficit in August was \$15.68 bil- tral banks have spent an estimated lion. Although this was less than in \$90 billion in market intervention July and represented the first nar- this year to maintain stability has temporarily left speculators in no mood to challenge that commit-

Instead, investors have been dumping bonds — sending yields soaring — in the belief that regardless of what happens in the foreign exchange market, U.S. interest

The bellwether 30-year U.S. Treasury bond hit a yield of 10.36 percent last week, up a huge 43 pasis points — or almost half a percentage point — from the previ- International Economics, said that prices reeling and the two declines ous week. Historically, bond mar-kets have registered big moves in Reserve Board, Alan Greenspan. quarter-point increments.

to 10.17 percent — a weekly gain of that fears about a new surge in

the safety of U.S. Treasury securities poured into the market. The bond rally was not very convincing. "Intermittent rallies will occur, as some institutional inves-

tors may begin to shift some investments from equities to bonds," said Henry Kaufman, chief economist at Salomon Brothers Inc. "But such shifts will not forestall the market trend for long, and will, in any case, only be moderate until the market's fears of mounting inflation and accelerating growth are allayed." In any event, by the end of the

week, long-term U.S. interest rates low set in 1986. The threat of a recession pro-

voked by higher interest rates created havoc in the stock market, where prices as measured by the Dow Jones industrial average lost almost 10 percent last week. Stephen Marris, an economist at

inadvertently contributed to shak-By late Friday, however, the yield on the 30-year bond was cut

Mr. Greenspan publicly stated

devastating, according to Mr. Mar-ris, was the Fed's response to Thursday's sharp 57.61-point decline in the Dow Jones average by injecting a huge amount of liquidity into the money market. That was taken as a signal of weakness in the Fed's resolve to keep inflation restrained and on Friday the Dow average tumbled a further 108.35 The combined rout in financial markets sent a shiver of fear throughout the investment commu-

nity that the markets may be about were up 1.4 percentage points from to plunge out of control in the abmid-August and 3 points above the sence of a coherent official policy to correct the fundamental prop-"What we're witnessing," said Rimmer de Vries, economist at

Morgan Guaranty Trust in New York, "is markets imposing an adjustment on the trade deficit because politicians are not able to. Falling bond prices send stock ultimately, are likely to provoke a sustained attack on the U.S. cur-

rency, as foreign investors dump their dollar assets. There is considerable doubt that the Bank of Ja-See MARKETS, Page 13



Robert R. Prechter, a noted Wall Street forecaster, still is bullish about stocks. Page 13.

Crispen, her press secretary, said Mrs. Reagan elected to undergo the

more extensive procedure because

"it was the most positive way to get

woman might chose mastectomy

even for a small turnor. For exam-

ple, some women treated with a

umpectomy, the removal of the

tumor and some nearby ussue, are

also given radiation treatments. Al-

though there are seldom any sen-

ous side effects associated with ra-

diation treatment for breast cancer.

doctors say there is a widespread

fear of possible side effects, such as

loss of hair, involved in more inten-

breasts, removal of a lump and

nearby tissue might be almost as

disfiguring as removal of the breast

Also, for women with small

sive forms of radiation therapy.

There are several reasons why a

it all over with."

Nancy Reagan's Mastectomy Is Criticized

By Gina Kolata

gan and her doctors chose to remove her entire left breast despite a variety of recent findings that less-extreme surgery is as effective for small breast tumors such as hers.

Experts said there is convincing evidence that, for such small noninvasive cancers, a modified radical mastectomy, in which the breast and one of the chest muscles are removed, gives no better chances of survival than simply removing the lesion, with or without radiation therapy. The first large study to establish this was published in 1985 and other studies have since confirmed the finding.

Mrs. Reagan's decision "set us back 10 years," said Rose Kushner, executive director of the Breast Cancer Advisory Center in Ken-sington, Maryland, a group that counsels women with breast cancer and lobbies for increased federal support for diagnosis and treat-ment. "I'm not recommending that anyone do it her way."

One out of 11 women will devel- cancer specialists and others who tectomy, according to a White

WASHINGTON—Nancy Rea-un and her doctors chose to re-

By David Hoffman

Washington Post Service WASHINGTON - Surgeons at Bethesda Naval Hospital have removed Nancy Reagan's left breast after discovering a small cancerous tumor, and doctors said Sunday they expected a complete recovery for her.

Dr. John Hutton, the White House physician, issued a statement on Mrs. Reagan's condition, saying that "no further treatment is expected, other than normal routine examinations." The White House said the operation, which was performed Satur-

day, was done without complications and tests showed that the cancer "She feels just fine," President Ronald Reagan said as he returned Saturday to the White House after visiting his wife. "Everything was

like that," he said, flashing an "O.K." sign with his hand. According to Mrs. Reagan's spokeswoman, Elaine Crispen, the

See NANCY, Page 6

ing cause of death for women. Al- other women. though Mrs. Reagan's decision was a private matter, her choice has doctors offered a public explana-

op breast cancer, the second lead- think her decision may influence

Neither Mrs. Reagan, 66, nor her caused some concern among breast tion for her decision to have a mas-

Doctors described Mrs. Reagan's tumor as "noninvasive" in that it had not spread past the milk duct, where it formed, into other

Cancer specialists also expressed concern because Mrs. Reagan had her mastectomy immediately after a biopsy confirmed the malignancv. "Most who are really knowledgeable would view this as wrong," said one specialist who asked not to be idealified. He said doctors cannot be certain from a quick look at slices of frozen cells that the tumor had not spread in

the breast. To be certain, pathologists must carefully examine all the tumor tissue, including cells at the edges of the tumor, a process that takes several days. And, experts said, if the tumor is invasive, having spread beyond the milk duct, pathologists could perform a number of other diagnostic tests to determine how fast it is growing and whether it would respond to hormonal thera-

Mrs. Kushner said she was con-But what made his pumpkin interesting cerned that other women would also select modified radical mastertomies because Mrs. Reagan did so. what I want." she said."

Rising Out of the Patch, the Heavyweight Pumpkins swell because of plentiful rain, lack of sun could fatally cause them to split. The happiest British contestant was Linda Withers, 29, from Lincolnshire with a 2482 The happiest British contestant was Linda Withers, 29, from Lincolnshire with a 2482 Times's agricultural course bulb grown in the pound radish and, in The Times, "Teapot circuit today is Stephen Liddard. 42, a brightly tattooed demolition entrepreneur who lives in Hertfordshire with his mum and who got into pumpkins in 1985 when he read International Revald Tribune

LONDON - The annual giant pumpkin contest was held last week on a basketball court in Ashby-de-la-Zouch, and the winning entry, from Canada, weighed only 408 pounds while Japan, competing for the first and a trip for two. plus pumpkin, to San weighed 6 pounds 71/4 ounces.) time, came in second with 327 pounds.

Spaniard Is Victor at UNESCO

reign of Amadou Mahtar M'Bow of Senegal.

Federico Mayor Zaragoza of Spain on Sunday, a few hours

after being nominated to be the next director-general of

UNESCO. His victory in a runoff election, after an

acrimonious all-night meeting in Paris, ended the 13-year

The United States was third with 313.7 pounds, small potatoes indeed after the world record last year by a New Jersey farmer, Robert Gancarz, whose pumpkin weighed 671 pounds, or 305 kilograms. It had a circumference of 12 feet 11 inches (3.9 meters), and 12 men were required to move it from the forklift to the scale. There is no point in pretending that this

year's contest had last year's thrills. Unwins,

the seed manufacturer that sponsors the Brit-

ish competition with Garden News maga-

zine, referred in a press release to the shock-

MARY BLUME Francisco, where they will celebrate Halloween together.

For generations in the north of England, flat lager, competing fiercely, indulging in occasional sabotage of rival entries and in general living out the Duc de Sully's view that the English take their pleasures sadly.

dour types in flat caps have grown giant leeks and other subterranean vegetables, feeding them with revolting brews of dried blood and

It has become an autumn rite throughout ing growing conditions this summer, and Pam Deschamps of Garden News warned the country to see such headlines as "The Pumpkin Beater" or "Gourd Almighty" and that although competing pumpkins might to read about a 107-inch-long carrot, a 17-

pounder that won her a cash prize of £200 garden of a Scottish council house," and it that the prize for growing a world-beater was At the same season, the classy Royal Hor-

ticultural Society holds its Autumn Fruit and Vegetable Competition and the Late Apple and Pear Competition in which excessive size not only is discouraged but also is penalized, and there are classes "open only to those Amateurs who do not employ a gardener more than one day a week."

Pumpkin growing, now in its pre-Hallow-een paroxysm, is the most exhibitionistic of all fruit and vegetable competitions, perhaps because it is not native to Britain. The first giant-pumpkin grower is said to have been William Warnock of Goodrich, Ontario, who sent a 400-pounder to the 1900 Paris International Exposition.

The most colorful figure on the pumpkin

a cool £12,000.

"To be honest. I'm only in it for the money." Stephen said over a dish of trifle. His mum also makes an excellent bread pudding. I thought they can be growing while I'm working, and I'll just come home and give them a drop of water and I'll be 12

grand richer."
"But I was a bit over-optimistic." he said. The pumpkin he grew for the contest last year weighed a puny 50 pounds.

was that it was the first in the competition to be grown hydroponically, without soil, and fed by liquid nutrients. Hydroponics is the "Women will hear that this is what coming thing in agriculture, but no one had was recommended for the presithought of applying it to giant pumpkins dent's wife and will say, 'This is

See PUMPKINS, Page 6

Spaniard Wins at UNESCO, Ending the Reign of M'Bow

By Barry James

PARIS - After an acrimonious all-night conclave, Federico Mayor Zaragoza, a Spanish biochemist, was nominated Sunday as directorgeneral of the United Nations Educational, Scientific and Cultural Organization, ending the 13-year reign of Amadou Mahtar M'Bow.

Mr. M'Bow, a 66-year-old Senegalese, said Western countries had blackmailed him into abandoning his quest for a third term.

The United States, which with-drew from UNESCO in 1984 in protest over what it said was Mr. M'Bow's mismanagement and the organization's anti-Western bias. said Sunday that it had no immediate plans to rejoin.

"We have no reason to reconsider," said the State Department spokesman, Charles E. Redman. Britain, which withdrew with Singapore at the end of 1985, made Mr. M'Bow's re-election.

trolled by the Soviet Union, forstaunchest supporters. Mr. M'Bow left the five-round

election with as much support as he entered it nearly two weeks ago. His African, Arab and other Third World backers voted against Mr. Mayor. "They are very bitter and extremely offended by threats by Western members to pull out," said a European member of the execu-

tion now has to be approved by

U.S. Plans to Tell China Of Displeasure on Tibet

By Elaine Sciolino

New York Times Service WASHINGTON - Some U.S. officials have concluded that they may not have reacted strongly enough to China's crackdown on recent unrest in Tibet. They say they are now trying to determine the most effective way to express the Reagan administration's growing displeasure with China over Ti-

These officials concede that, in trying not to irritate the Chinese authorities, the United States did not stand firmly enough behind its policy of promoting human rights worldwide. China has accused the United States of interfering in its internal affairs and threatened that continued emphasis on Tibet would damage relations.

Senior State Department officials held what were described as 'serious discussions" last week on the issue of rights in Tibet.

The Chinese, according to some reports, are continuing their crackdown in Tibet against Buddhist monks and Tibetans who are seeking independence for the autonomous province.

The monks have led three major demonstrations since Sept. 27, in which at least 14 persons were killed. Foreign journalists have been expelled from Tibet.

In the last few days, tourists have reported dozens of arrests in nighttime raids by policemen carrying automatic weapons as they swept through the Tibetan capital, Lhasa, in trucks in a show of force.

Officials in Washington said they were seeking a way to express displeasure that would not offend China unnecessarily and would as-sure it that the United States has no intention of upsetting China's secu-

rity arrangements on its border. The discussions last week, which vere not conclusive, were prompted in large part by sharp criticism

Emergency Rule in Turkey

ANKARA - The Turkish parliament has approved a government proposal extending emergency rule in nine districts. The areas affected include the city of Istanbul and the southeast provinces of Bin-gol, Diyarbakir, Elazig, Hakkari, Mardin, Siirt, Tunceli and Van, where government troops and Kurdish guerrillas seeking autonomy have been fighting since 1984.

indicated that it will not consider Nov. 7, and diplomats said there rejoining the organization until it has been fundamentally changed.

forestalled the withdrawal of sever- the North-South breach in the oral other Western nations that had ganization. threatened to leave in the event of

The executive board's nomina-

from lawmakers of both parties. They argued that the United States

was slow to promote the cause of Tibetan independence and that of-

ficial messages deploring the recent violence were ineffective, the offi-"We're talking about a lot of ways we can make our views crystal clear on what we believe in and stand for," a State Department of-ficial said. "Maybe our position wasn't understood as well as it

■ Deng Assails Americans Edward A. Gargan of The New York Times reported from Beijing:

Accusing several U.S. congressmen of "ignorance and arrogance," Deng Xiaoping, the senior Chinese leader, lashed out Friday at their sympathy for Tibetan protesters. The comments were the first that Mr. Deng has made publicly on the

protests in Tibet. The Chinese government said the co-chairman of the Congressional Human Rights Caucus, would not be permitted to visit Tibet as

the group had proposed.
"The Dalai Lama and a few U.S. congressmen have created a little bit of trouble for us, but this will not affect our overall good situation," Mr. Deng was quoted as say-ing by the official Xinhua news agency. "On the contrary, all this has revealed their ignorance and arrogance, and exposed their true

Mr. Deng's remarks were made to Franz-Josef Strauss, the Bavarian state premier.

The Dalai Lama, the highest living Buddha in the Tibetan religion, went into exile in India in 1959 bellion intended to free Tibet from China's control.

Although the Chinese leader did not name any of the U.S. congressmen, several announced Wednesday that they intended to visit Tibet to assess the human rights

But a Foreign Ministry spokes-man said in a statement: "Matters concerning Tibet are the internal affairs of China in which the U.S. Congress has no right to meddle." A diplomat at the U.S. Embassy, who asked not to be identified, said a refusal by China of visas to the members of Congress would be

no official comment, but it has also UNESCO's general conference on remained a possibility that Mr. Mayor could be dropped in favor But Mr. Mayor's nomination of a candidate better placed to heal

backed by the Organization for Af-Mr. Mayor, 53, received 30 votes rican Unity, told the board by letfrom UNESCO's 50-member execter that he no longer wanted to be a utive board, including the four con- candidate. He said nations opposing him "had not hesitated to resort merly one of Mr. M'Bow's to blackmail and disinformation as well as pressures and threats of all SOFTS.

He said those nations "have perverted and corrupted the democratic process of the election" by threatening to withdraw or not make their financial contributions if he were nominated.

Mr. M'Bow led the first four rounds of voting, but could not obtain the necessary majority of 26. The fifth vote was a runoff between the two leading candidates.

The crucial element in Mr. Mayor's victory was the Soviet Union's decision to support the Spaniard. In the first four rounds, Moscow voted for Nikolai Todorov, a Bulgarian historian.

The Russians appear to have abandoned Mr. M Bow in an effort to save UNESCO. The withdrawal of the United States and Britain cost the organization one-third of its budget, which is down to \$145 million annually, and the departure of other countries would have been deeply damaging to its finances and its universality. The Soviet decision came amid a

general recasting of Moscow's UN policies. Last week, the Russians announced they would pay overdue UN bills, including \$197 million for peacekeeping operations they

have long opposed. Mikhail S. Gorbachev, the Soviet leader, has spoken of invigorating the UN Security Council and World Court, of using peacekeeping forces in regional conflicts and of setting up a UN tribunal on terrorism.

Because of congressional opposi-tion, the United States owes \$414 million in UN dues, including \$61 million for peacekeeping units. Last week, Laura Genero, the

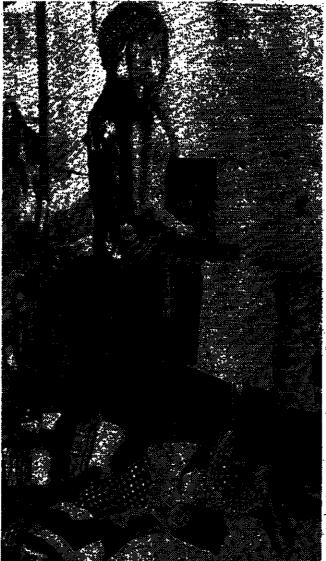
State Department official in charge that a delegation of lawmakers of relations with international orheaded by Representative Tom ganizations, said it was impossible Lantos, Democrat of California, to say whether there would be any to say whether there would be any money for the United States to rejoin UNESCO at some time in the future. She said Washington would consider rejoining only when it saw evidence of fundamental change, including a measure to give major donors greater weight in how the budget is spent and the depolitici-zation of UNESCO programs.

In leaving UNESCO, the United States and Britain complained about what they said was automatic Communist and Third World bias against the West. "We never said that M'Bow specifically was the problem," said Mr. Redman, the State Department spokesman.

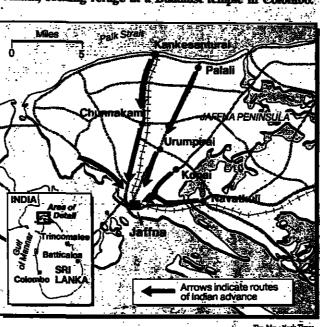
Nevertheless, Mr. M'Bow, the first African to head a major UN organization, attracted criticism

For some delegates who supported Mr. Mayor, his strongest attribute was that he was not Mr. M'Bow. He was earlier a deputy director-general of UNESCO and personal adviser to Mr. M'Bow as well as education minister of Spain for a brief period.

Mr. Mayor said he did not represent any political grouping. "I am an independent and a professional," he said. In a bid to reassure the countries that supported Mr. M'Bow, he said, "My first concern is with development, particularly in



A Sri Lankan mother and her child who field fighting near Jaffna, seeking refuge at a Buddhist temple in Colombo.



by purging supporters of his prede-cessor, Babrak Karmal, who was removed last year.

The Kabul radio said 15 leading associates of Mr. Karmal, including a half-brother, Mohammed Baryalai, lost their posts in the party Central Committee on Saturday. Western diplomats in Islamabad said the purge seemed intended to allow a further relaxation of comt-style policies pursued un-

der Mr. Karmal and to make the party more broadly acceptable. The announcement Saturday was in line with General Najib's drive to end the nine-year-old guerrilla war by wooing rebels into a

the withdrawal of Soviet forces, esumated by the West at 115,000. In another development, an Af-In another development was being shan peace settlement was being iscussed in Islamabad as Arm Hammer, the American business-man, arrived Saturday for talks with President Mohammed Zià al-

U.S. Said to Send Mules The Central Intelligence Agency is believed to be airlifting inules from Texas to Afghan guerrillas because of a shortage of pack mules after an epidemic earlier this year, The Observer newspaper reported Sunday in London.

India Sends

Sri Lanka By Barbara Crossette New York Times Service COLOMBO, Sri Lanka India said Sunday that it was reinforcing

its forces fighting Tamil guerrillas in the Jaffna Peninsula by 2,000 troops.

The reinforcements would raise to 8,000 the official number of In-dians battling 2,000 Tamil separatists who have been holding off the Indian Army in house-to-house

fighting for more than a week. [Indian troops have captured the headquarters of Sri Lanka's main Tamil rebel faction outside the city of Jaffna, the state-owned All India Radio said Sunday as reported by Renters in New Delhi.

The report said a large quantity the mutineer "Guardians" faction. of arms and ammunition had been seized at the headquarters of the Liberation Tigers of Tamil Eclam, which is at Kopai on the outskirts of Jaffna. It gave no further de-

tails.]
Officially, India says it has 14,000 troops in Sri Lanka's north and east, but unofficial estimates in Colombo and New Delhi put the figure at 20,000 to 25,000. While the Indian units are dispersed with large contingents in the eastern ports of Trincomalee and Batticales. loa, the majority of the gueralla forces are thought to be in Jaffina. A spokeswoman for the Indian High Commission in Colombo said that the reinforcements were arriv ing as Indian troops face intense mg as Indian troops tace mease combat around the city of Jaffna, controlled by the guerrillas. The Indians have been fighting their way into the city for nine days: More than 100 Indians and at least 525 guerrillas are reported by

the Indians to have died, with hundreds wounded on both sides. The Indians, who are in Sri Lanka to disarm the guerrillas imder terms of an agreement signed by India and Sri Lanka in July are being attacked from behind flieir

advancing lines, the spokeswoman said Sunday. The guerrillas are also "mirressingly using civilians as shields," the spokeswoman said. She said shat columns of civilians, including women and children, were blocking the movement of armored person-

nel carriers

The simplest thing would be to raze the whole place to the ground, the spokeswoman and.
But she said that Indian forces had decided not to use heavy artillery and air power, and so the Indians-were "fighting with one hand fied behind their back."

Asked how much of the Jaffna

A woman who recently re-Colombo said she had heard that more than 500 noncombatants were dead. Refugees say houses an

ing destroyed by tanks. The Indians will not estimate the civilian casualty toll, and independent investigations are not possible. Reporters have been barred

from traveling to Jaffna. A team of 32 Indian Red Cross officials are in Jaffina to study how to distribute food to the remain population, the Indian spokes-woman said. She also said that ships with food and other supplies would be arriving from the fudian city of Madras on Monday.

WORLD BRIEFS

1 1 m (. 1 4 . 1)

More Troops Armenian Protest Is Reported Foiled

To Northern

Moscow (AP) — The police in the Armenian capital of Yerevan. broke up a protest by at least 1,000 people on Sunday, the second day of public demonstrations in the small Soviet republic bordering Turkey, Moscow dissident sources reported.

Sumday's demonstration was in support of Armenian national rights in the village of Chardakhlu in Soviet Azerbaidzhan, said a dissident, Valery Senderov, who learned of the protest from sources in Yerevan. On Saturday, at least 3,000 people marched in Yerevan to demand the closing of a polluting chemical plant and a nuclear power station,

according to other sources in Moscow. Manila Reports Foiling a Coup Plot

MANILA (AP) — Officials said they foiled a coup plot on Sunday

after mutineers stole an armored personnel carrier from army headquarters but abandoned it near President Corazon C. Aquino's residence Pro-government troops and tanks were deployed around the presidential palace, but there were no reports of other incidents. It appeared the theft of the personnel carrier might have been a ploy by the rebels to test security and embarrass loyal military commanders.

More than 20 foreign and Philippine reporters had assembled at the campus of Santo Tomes University after requiring a tip that they

campus of Santo Tomas University after receiving a tip that they might be taken to a press conference by mutinous officers. Instead, they watched as the personnel carrier drove around the campus before the six-man crew abandoned it. Inside the vehicle, loyal troops found a banner of the matter.

U.K. Weather Office Orders Probe

LONDON (Reuters) - The Meteorological Office has ordered an inquiry into whether it should have given an earlier warning of Britain's worst storm in 300 years, which killed at least 13 persons.

The Meteorological Office warned of how intense the storm would be just a few hours before hurricane-force winds began whipping across southern England early Friday, causing millions of dollars worth of damage. The storm also caused at least six deaths and widespread damage in northern England early Spain and Doctored.

damage in northern France, Spain and Portugal.

"We will go back to the data available at the time to see whether we could have predicted it," a spokesman for the Meteorological Office said. "Preliminary results indicate that it happened so quickly that we did the best we could in the circumstances." He declined to comment on reports in British newspapers that forecasters in France and the Netherlands were able to issue earlier storm warnings based largely on the same information available to British meteorologists.

Ozal Wins Fight for Early Election

ANKARA (Renters) — Prime Minister Turgut Ozal has won a cracial parliamentary struggle for an early general election, but the vote failed to

end Turkey's worst political crisis since 1980. "We have just saved the country from the brink of turmoil," Mr. Oral-told his conservative Motherland Party when the law for a Nov. 29 post was passed Saturday after a mass opposition walkout. Only 20 of the 131 opposition members of the 400-seat parliament were present for the show of hands after a bitter debate that underlined the deep political divisions that have haunted Turkish politics for nearly three decades.

The new election law must be ratified by President Kenan Evren, with as the army chief led Turkey's third military coup in 20 years to end political chaos in 1980. Political sources said Mr. Ozal was still widely expected to win the election. The prime minister had accused opposition parties of seeking a delay in the voting until next year because they we lagging badly in public opinion polls.

16 to Die for Sierra Leone Coup Plot

FREETOWN, Sierra Leone (Reuters) — Sixteen persons, including former Vice President Francis Misheck Minah, have been sentenced to death for plotting in March to overthrow the president, Major General Joseph Saidu Momoh.

Four of those sentenced Saturday were found guilty of the murder of a paramilitary forces driver killed in uprising. Those convicted have 21 days to appeal, court sources said.

For the Record

To allay fears about the safety of Soviet reactors after the Chemobyl muclear accident, the Soviet Union has invited an international team to Asked how much of the Jatina Peninsula was firmly in Indian consistency of the Union has invited an international team to impect safety arrangements at a civilian nuclear power plant, officials at the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in New York said. The invitation was made last the United Nations in the International Atomic Energy Agency in Vienna (NYT). The three major West German political parties called Saturday for new elections in the northern state of Schleswig-Holstein following the dead.

Reinger are reported to have break these major west German political parties called Saturday for new elections in the northern state of Schleswig-Holstein following the dead of the state premier governor, Uwe Barschel.

Reinger are reported to have break these major was made last three major West German political parties called Saturday for new elections in the northern state of Schleswig-Holstein following the dead of the state premier governor, Uwe Barschel.

TRAVEL UPDATE

TRAVEL UPDATE

Asked how minch of the Jatina inspect safety arrangements at a civilian nuclear power plant, officials at the United Nations in New York said. The invitation was made last the United Nations in New York said. The United Nati

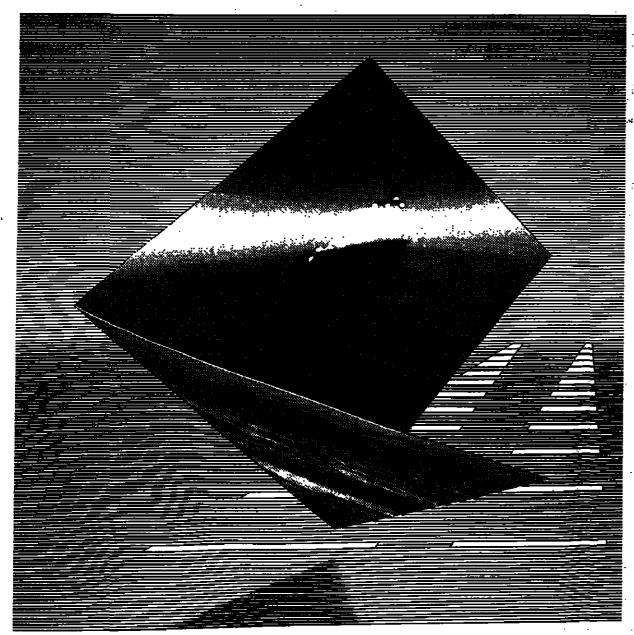
China to Buy Soviet Passenger Planes

BELJING (AP) — Chinese national airlines will add 10 Soviet Tupolev-54m passenger planes to their fleet next year, the official China Daily newspaper saidSunday.

The newspaper said the General Administration of Civil Aviation of China is to pay about 320 million yuan (\$86 million) for the planes, which hold 164 passengers. China's five airlines, which flew 10 million passengers last year, also use Boeing, McDonnell Donglas and Airbus planes.

Correction

An article in the Saturday-Sunday editions of the International Herald Tribune incorrectly reported the position of Gisèle Halimi, the former French representative to the executive board of UNESCO. She resigned to protest her government's decision to support Foreign Minister Sahab-zada Yaqub Khan of Pakistan for director-general of the organization.



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1201 Geneve

D BRIEFS

Foiling a Coupp

stead "you mow one or two times a season," and "you also find that people don't throw as much lit-All but four states — Hawaii,

Montana, Nevada and Utah have some form of native-growth program. The federal measure will reinforce this. A waiver can he obtained if a state certifies that native wildflowers cannot be grown satisfactorily, that there is

Short Takes

Flowered Borders

For U.S. Highways

Native wildflowers are to be sown along federal-aid highways throughout the United States.

Texas has been doing it for 50 years, and Lady Bird Johnson, a Texan, made the practice popular

during the presidency of her husband, Lyndon B. Johnson, Sena-

tor Lloyd Bentsen of Texas guided a bill through Congress

requiring that 25 cents of every \$100 in federal highway funds be used to plant native wildflowers.

Mr. Bentsen says that when

wildflowers are growing along the roadside, "you don't have to mow once a week." He said that in-

a scarcity of planting areas or that they are to be used for farming.

Documents discovered during a \$1.7 million restoration of Abraham Lincoln's home in Springfield, Illinois, apparently date from his days as a congressman in the 1840s, according to Francis Krupka, historical architect on the project. The documents, found in a kitchen wall, included part of an envelope addressed and signed by Lincoln, four letters to Lincoln and a printed anti-slavery speech. They will go on display at the residence. "It's not all that often," said Mr. Krupka, "that original Lincoln documents pop up out of the woodwork, literal-

Rubella, or German measles, reached an all-time low of 551 cases in the United States last year, down 99 percent from the advent of the rubella vaccine in 1969, according to federal figures. Health officials say eradication of the disease is possible. In chil-dren, rubella is usually mild, causing fever and rash. But when pregnant women catch the disease it can cause miscarriages and severe

sporting goods store in Freeport, Maine, take regular business trips to mountains, woods and streams. "For salespeople to talk intelligently" about Bean merchandise. "they should be using it and expe-tiencing the outdoors," said Ed Babino, who runs the outings. "So we get them out there."

AMERICAN TOPICS

For five years in a row more than 90 percent of armed forces recruits have been high school graduates, the Pentagon says. The services' ability to pick a higher caliber of recruit coincides with a steady decline in unemployment, contradicting the theory that unemployment causes young people

When Richard Lindner got mar-ried on a local television show in Fort Lauderdale, Florida, he did not think that his wife would be in the viewing audience. He has been charged with bigamy.

Notes About People

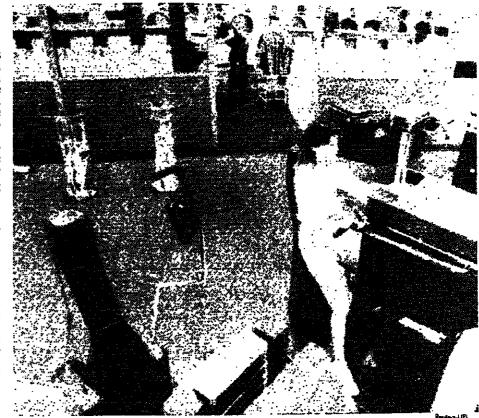
Senator Daniel Patrick Moyni-Twenty-five years ago Michael han says he is tired of heavily

you mind if we smoke?"

Sales clerks at the L.L. Bean | Harrington's "The Other Ameri- | armed motorcades of limousines retail and mail-order outdoor and | ca" made his compatriots more | and police outriders speeding and and police outriders speeding and aware of the poor. It was a subject that Mr. Harrington, who "didn't screeching through Washington and he is sure other people are have a nickel to my name" and too. So the New York Democrat was "sleeping with bedbugs," knew well. The New York Times introduced a resolution in the Senate urging the State Department to restrict foreign dignitaries visiting Capitol Hill to two-car entourages. The Senate notes that President John F. Kennedy's advocacy made the book required reading in federal offices. Historians say that more than any other work it inspired approved the measure by voice vote but the State Department is trying to block it in the House of Representatives. Mr. Moynihan landmark anti-poverty measures, like Medicare and Medicaid. Today, Mr. Harrington, 59, still ac-tive in the cause of poor people, is said Congress is "the representative body of a democratic state and not some besieged citadel of a a prosperous lecturer and writer. "I really love clean sheets, good fearful tyranny."

food and good wine," said Mr. Jessica McChure, an 18-month-Harrington. "Anyone who doesn't is a nut." old girl who fell down an abandoned well shaft in Midland, Texas, was rescued Friday 58 hours Representative James H. Scheuer, Democrat of New York, after she was trapped. Doctors operated Saturday on her injured said as the House Subcommittee right foot and said they were on Aviation opened hearings on hopeful they would not have to amputate it. During her ordeal, laws to prohibit smoking on all airline flights: "The proper quesher right foot was jammed across tion to his neighbor when a perher left leg, cutting off circulation and raising a threat of gangrene. son lights up on an aircraft is not, 'Do you mind if I smoke?' but 'Do The girl was freed from the shaft after round-the-clock drilling ef-

-ARTHUR HIGBEE



WASH AND WORK OUT - In a combination launderette-gym in San Diego, Gina Dahl works out on an exercise machine, which was installed to attract more customers.

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Pag- 1.

ALL THE THE PARTY OF THE PARTY

By Richard Homan

Washington Post Service
WASHINGTON - Lights have been dimmed in the corridors of the U.S. Embassy in Tokyo, spouses were left off the invitation list for an already downsized Fourth of July reception in Cairo, high-ranking American diplomats in Tel Aviv have to share newspapers and, in several countries, visiting U.S. diplomats have become involuntary house guests of embassy employees instead of staying in

The cutbacks are part of an effort by cal year, dictated by congressional bud-

viewed by Washington Post correspondents in 13 major foreign capitals, essendents in 13 major foreign capitals, essendents in 15 major foreign capitals, essende tial activities are being jettisoned or severely cut back in moves that are likely to have a long-lasting detrimental effect on U.S. reporting from abroad.

The diplomats said the reductions

were being felt especially in areas where the United States is in direct competition with beefed-up Soviet embassies.

Besides the closing of two small emthe State Department to prepare for an anticipated \$84 million shortfall this fispoint out, there have been sharp cutbacks in travel. This has forced U.S. get-shrinking. If it were nothing more officials to pay their own way to what than petty harassments like these, diplomats say, they would probably just left them heavily outnumbered by Soviet

Staff reductions have forced many political officers to take on the unfam

a shortage of science and commercial ing itself to outstrip the United States in officers, a diplomat expressed concern prominent regions of the world, that more and more of the traditional

the U.S. Embassy personnel are State its national convention in Nuremberg U.S. consulate in Düsseldorf because tended that "they can't cut more, squeeze this function more without bees could effect a send only tree."

The London embassy, which its national convention in Nuremberg U.S. consulate in Düsseldorf because its national convention in Nuremberg U.S. consulate in Düsseldorf because last year, has about 700,000 tourist visas 2 year, has about 700,000 tourist visas a year, has about 700,000 tourist visas information desk" that answered queries by mation desk" that answered queries by mation desk" that answered queries by mation desk" that answered queries by squeeze this function more, without bassy could afford to send only two. turning the embassy into a support ser-

duties of economics officers, and vice versa, or even to double up as consular officers, issuing visas and passports.

As a result, many diplomats say they see a shrinking role for the State Department. In India, where the embassy faces a charage of economics and commercial in its itself to outstrip the United States.

In India, the world's second most popforeign policy responsibility is being ulous nation, cutbacks have left the shifted to the Defense Department, the Central Intelligence Agency and the Namats and 260 support officials while the

A strong undercurrent in diplomats' discussions of the cuts is a bitterness toward Congress, which continues to impose heavy responsibilities on the em-bassies and whose visiting members, many complain, continue to expect firstclass escort services from missions that they have reduced to second-class size.

reporting," a diplomat in Cairo comcial travel has been sharply reduced, and
plained referring to a diplomat there plained, referring to annual reports or a political officer recently paid his own said.

Price 2d said he tried to anticipate the be "mind-bogglingly stupid."

local hires, who make up about half of sources requires the same amount of the 800 London embassy workers. Offi-

grumble and try to ride out yet another war on spending.

But, in the view of diplomats interviewed by Washington Post correspondents in 13 major forcion capitals, essentially and try to ride out yet another and, in London, it is job;

Soviet diplomatic staff has grown to dered by Congress on subjects such as forced the embassy to reduce its consular seem to be more bountful.

Soviet diplomatic staff has grown to dered by Congress on subjects such as forced the embassy to reduce its consular seem to be more bountful.

In Jordan, where only 30 percent of poposition Social Democrat Party held. The embassy in Bonn tried to close the fall his job;

The London embassy, which issues the left his job;

The London embassy, which issues the left his job;

The London embassy is national convention in Desceldorf because the left his job;

The London embassy is national convention in Desceldorf because the left his job;

The London embassy is national convention in Descendent to the subjects such as about 600. In West Germany, when the human rights and labor activities.

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Atlantic Treaty Organization conference is national convention in Descendent to the subjects such as about 600. In West Germany, when the human rights and labor activities.

Atlantic Treaty Organization conference is national convention in Descendent to the subjects such as a subject is such as a sub

In London, Ambassador Charles H. telephone and now simply sends form A blissfully unbothered exception to

with a cost-enting drive that began two years ago. It was not enough. He said that the cuts now have reached the point where further ones still rumored would be "mind-hospitagely enough". Mr. Price has frozen the salaries of all from the Chemobyl nuclear disaster.

"Moscow is such a top priority to



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As Reminder to Managua, Contras Step Up Attacks position to contacts with contra By Stephen Kinzer New York Times Service "Latin American countries are_ MANAGUA - Nicaraguan re-

bels backed by the United States have mounted a series of attacks in.

recent days intended to show that the country will not achieve peace until their demands are met. The rehels known as contras are having particular success in shooting down government helicopters. Managua confirmed that it lost two

helicopters to hostile fire this week. [Anti-government rebels said they shot down an air force transport plane in northern Nicaragua on Saturday, The Associated Press reported from Managua, but the Defense Ministry said the plane crashed because of mechanical

[Both crewmen died when the Soviet-built An-2 plane went down in the Bramadero Abajo region of Jinotega Province, which borders Honduras, while on a routine flight, the Defense Ministry said.

The contras' statement said the rebels downed the plane with a Redeye ground-to-air missile and seized weapons and ammunition from the wreckage.]

On the ground late last week, the contras forced the closing of the strategic Rama road, the principal east-west artery. Spokesmen for both sides said coordinated attacks were under way against several towns in the area.

"If they don't want to talk peace with us, then the war will contin-ue," said Bosco Matamoros, a spokesman for the contras.

The Sandinist government has maintained that the contras are not an independent force, but a creation of the United States, which supports and finances them. The Sandinists have said they would therefore negotiate only with the Instead of talking with contra

leaders, the government has sought



A Sandinist, left, and a contra debated politics Saturday at Las Manos on the Honduran border. A fifth "family reunion day" was proclaimed to let families split by war reunite.

to persuade individual contra field cord, signed in August, requires their own as they did last week in commanders to surrender and to that the government work toward a accept aumesty. But thus far, few cease-fire, but the Sandinists main-

putting pressure on the Sandinisus to modify their position on dialogue," a South American ambassador said. "We are telling them that governments are talking with armed insurgents in Guatemala and El Salvador, and that there is no realistic hope of stopping the war here unless the two sides talk to

Reagan administration officials have said they intend to use the Sandinist refusal to talk to the contrast to argue that Nicaragua is not truly interested in peace. They hope this argument will help them win congressional approval for renewed military aid to the contras.

Apparently in an effort to show their military strength, the contras have staged several raids in the north in recent days. But the latest attacks along the Rama road, which appeared to be one of the largest contra operations in months, were far more significant.

The government has closed the area to civilian traffic and has com telephone and other communication tions links. Red Cross officials were appealing for blood dona-tions, and ambulatory patients were reportedly being moved out of the hospital in nearby Inigalpa to make room for the wounded.

The area near the road has been a center of contra activity for years. But the attacks Wednesday were the most coordinated actions there since large numbers of contras reaccept amnesty. But thus far, few cease-fire, but the Sandinists main-contras have accepted the offer.

The Central American peace aconaly decree cease-fires on creasingly urged to soften their opary.

ise Tightens on Opposition in Panama



TE CHALLENGE OF THE 1990's THE EIGHTH ANNUAL INTERNATIONAL HERALD TRIBUNE/ OIL DAILY CONFERENCE, LONDON OCTOBER 22-23, 1987

THE program is designed to assist senior executives in the petroleum industry and related fields to determine their business strategies into the 1990's. William Martin, Deputy Energy Secretary, United Scares, H.E. Abd al-Hadi Muhammad Kandil, Minister of Petroleum and Mineral Resources, Egypt, H.E. Rilwanu Lukman, Minister of Petroleum Resources, Nigeria, President of the OPEC Conference, H.E. Arne Oien, Minister of Petroleum and Energy, Norway and The Rt. Hon. Cecil Parkinson M.P., Secretary of State for Energy, United Kingdom will head a distinguished group of energy and financial leaders from around the world.

Senior Executives wishing to attend the conference should complete and mail the registration form today.

OCTOBER 22

UNITED STATES' ENERGY POLICY William Martin, Deputy Energy Secretary, United States. CHALLENGE OF THE 1990's: A CORPORATE VIEW John R. Hall, Chairman and Chief Executive Officer,

Philip Oxley, Chairman, Tenneco Europe Ltd. Nader Sultan, President, Kuwait Petroleum International Ltd. GLOBAL DEMAND AND SUPPLY: AN OVERVIEW John H. Lichtblau, President, Petroleum Industry Research Foundation.
Respondent: Herman T. Franssen, Economic Advisor of
H.E. The Minister of Petroleum and Minerals of the Sultanate

REAKOUT GROUPS (These three sessions will run concurrency)
NORTH AMERICAN MARKET

Theodore R. Eck, Chief Economist, Amoco Corporation Milton Lipton, President, W.J. Levy Consultants Corporation THE EUROPEAN OUTLOOK Giuseppe Sfligiotti, Executive Vice-President, AGIP SpA Ted White, Managing Director, Petroleum Economics Ltd THE PACIFIC OUTLOOK Dennis J. O'Brien, Chief Economist, CALTEX Petroleum Corporation

THE OUTLOOK FOR THE UNITED KINGDOM'S PETROLEUM INDUSTRY
The Rt. Hon. Cecil Parkinson M.P.

The Rt. Hon. Cecil Parkinson M.P.,
Secretary of State for Energy, United Kingdom
MARKET FORCES IN CHARGE OF SUPPLY MANAGEMENT
John Deuss, Chairman, Transvorld Oil Ltd.
ENERGY SECURITY AND THE MIDDLE EAST
GEOPOLITICAL OUTLOOK
Charles DiBona, President, The American Petroleum Institute
George Quincey Lumsden, Director, Oil Marker Development,
International Energy Agency
Mehdi Vazzi, Senior Analyst, Kleinwort Grievson & Co.
Moderstor: Robert Mabro, Director,
Oxford Institute for Energy Studies.

Oxford Institute for Energy Studies.

OCTOBER 23

MINISTERIAL PRESENTATIONS AND DISCUSSIONS H.E. Rijwanu Lukman, Minister of Petroleum Resources, President of the OPEC Conference President of the Or EC Commence
H.E. Arne Oien, Minister of Petroleum and Energy, Norway
H.E. Abd al-Hadi Muhammad Kandil, Minister of Percoleum and Mineral Resources, Egypt
Moderator: Herman T. Franssen, Economic Advisor of
H.E. The Minister of Petroleum and Mineral Resources of the
Sultanate of Oman

THE WORLD ECONOMY: RETURN TO NORMAL GROWTH? tephen Marris, Senior Fellow, Institute for International iconomics, former Chief Economist, O.E.C.D. re Timothy Congdon, Chief U.K. Eco BREAKOUT GROUPS (These three sessions will run concur FINANCING EXPLORATION AND DEVELOPMENT

Jenn-Jacques Lacour, Head of Economics Department, Institut Français du Pétrole David Parker, Manager, Project Finance Unit, National Westminster Bank

THE FINANCIAL HEALTH AND PROFIT PROSPECTS OF THE OIL INDUSTRY Dillard Spriggs, President, Petroleum Analysis Ltd. CHINA: PROSPECTS FOR OIL DEVELOPMENT

LUNCH
FINANCIAL STRATEGIES FOR THE OIL INDUSTRY:
NEW INSTRUMENTS AND MARKETS
R. Hartwell Gardner, Treasurer, Mobil Oil Corporation
Robert B. Wesver, Senior Vice-President,
Global Energy Executive, The Chase Manhattan Bank, N.A.
IMPROMPTU PANEL DISCUSSION
Moderator: Nicholas G. Voûte, Oil Consultant,
London and The Manne. London and The Hague



REGISTRATION INFORMATION

The fee is £595 (plus VAT @ 15% £89.25, total £684.25) or the equivalent in a convertible currency for each participant. This includes lunches, a cocktail reception and post-conference documentation. Fees are payable in advance of the conference and will be returned (less £50 administration charge) for any cancellation postmarked on or before October 12. Cancellations postmarked later than October 12 will be charged the full fee. Substitutions may be made at any time.

Please return the registration form to: International Herald Tribune, Conference Office, 63 Long Acre, London WC2E 9JH, or telephone (441) 379 4302 or telex 262009.



Pan Am is the official carrier for the coil and is offering a special service for all delegates travelling from the United States. For further details please call Barbara McConnell 1 800 327 1500. Ref. CVN 67104

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Royal Garden Hotel, Kensington High Street, LONDON W8 4PT. Telephone (441) 937 8000. Telex: 263151. A limited number of rooms has been reserved for participants at preferential rates. Reservations must be received by October 5. Please contact the hotel directly.

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19-10-87

him from his car, shoved him onto

the floor of a paddy wagon and kicked him for 10 minutes.

Mr. Wong, 58, spent the night in jail. After being released, he was rushed to a hospital, where doctors

emoved a kidney ruptured in the "It was very bad luck" was his understated comment in a bedside

The incident was an indication that the government, controlled by the military leader. General Manuel Antonio Noriega, has been slowly but firmly tightening its grip to quell continuing ferment in Panama, home of both the strategic Panama Canal and the Southern Command, the largest U.S. mili-

tary operation in Latin America.

The government, blaming the mainly middle-class opposition for intercepted the caravan; smashing windshields with truncheons and least six Panamanians. with restrictive laws and intimidating harassment.

A recent report by Physicians for Human Rights, an independent group of American doctors, found that more than 1,000 Panamanians suffered significant injuries from bird shot used by the riot police

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General Noriega, in an interview

He labeled the opposition "decendants of Cam and Abel" who had "sold their souls to the devil trying to reach the seats of power."

Just before Mr. Wong's arrest. President Eric Arturo Delvalle, considered a figurehead for General Noriega, made a stern nationally televised speech prohibiting further street protests.

Within minutes of his closing words, opposition protesters fook to the streets in their cars and waved the white flags and handkerchiefs that have become their hall-

including Mr. Wong, witnesses

Nine U.S. servicemen and an American Panama Canal employee were also rounded up by the police in different parts of the city that night and held until morning.

The mayor of Panama City.

By Julia Preston

Washington Past Service

PANAMA CRY Strike Will

PANAMA CRY Strike Will

At least six persons were blinded into no or both eyes.

Three Panamanians have been convolved to the parameter of the general, put the police and indeed in one or both eyes.

Three Panamanians have been to two years for such infractions as supersonal defects of government. evening, he got caught up in a horn-tooting car caravan of anti-govern-crackdown began July 26. spreading leaflets, painting graffiti

> raids on a flower shop and a photographer's studio.

The government's actions have of Thursday, when the opposition has scheduled a major march and general strike.

Wholesalers who have sold paper to the opposition for leaflets re-ceived police warnings that they could not sell more than a ream at a time, one stationery storekeeper

Last week the government sent the National Assembly a proposal

for a new press law. It prohibits printing any text that "offends the dignity" of General Noriega or anyone in government; bars "adulterated" economic news and any article that is "an apology for foreign intervention," and for-

bids not giving a source's name. "The only clause this law doesn't have is the one outlawing use of the words 'puneapple face,' said a

Mr. Delvaile has indicated that Suddenly not policemen dragged im from his car, shoved him onto he floor of a paddy wagon and country against a policy of "eco-country against a policy of "eco-count were picked up Oct. 13 in the northern city of Colon in police they will resume publishing under the new law.

AIDS Test in Trial

New York Times Service NEW YORK - A U.S. Army appellate court has ruled that results of a test for the AIDS virus may be used to help prosecute a soldier who is accused of having sexual relations with three people

after learning that he was infected.
The court-martial, at Fort Huachuca, Arizona, has been suspended since August while the parties!
awaited the appeals ruling. The defendant in the case is Private First Class Adrian Morris Jr., 27, a clerk at Fort Huachuca who is believed to be the first person ever prosecuted for aggravated assault on charges of having improtected sexsaid a ual relations after learning that he Christian Democratic legislator, was carrying the virus for acquired immune deficiency syndrome.

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Prime Minister Margaret Thatcher of Britain, with her foreign secretary, Sir Geoffrey Howe, displaying a document at the Commonwealth conference in Vancouver.

Britain, Commonwealth Clash Over South Africa

By John F. Burns

New York Times Service VANCOUVER, British Columbia - Outbursts by fellow Com- Prime Minister Brian Mulroney of monwealth leaders against Prime
Minister Margaret Thatcher of
Britain marked the conclusion of
the 47-nation Commonwealth conference here.

fused to endorse any new economic Commonwealth and other nations sanctions against South Africa, and have had little practical effect on she maintained her position that the South African economy, that those already adopted by Britain they have tended to deprive blacks and other Commonwealth mem- of jobs more than whites and that bers are more likely to retard than they have stiffened the resolve of advance the end of apartheid.

ment of those sanctions.

conference that affirmed the need breaking down racial barriers. for "wider, tighter, and more intenthose adopted by the United States terview. and the group of Nordic countries, are adopted worldwide.

But the sections of the statement ment ties with South Africa.

a group that included Prime Minister Rajiv Gandhi of India, Prime Minister Rob Hawke of Australia, President Kenneth Kaunda of Zambia and Prime Minister Robert Mugabe of Zimbabwe assailed

Mrs. Thatcher for her stand.

at these gatherings. and dismayed." Mr. Mugabe said. referring to the disparagement of tones, offered by Mrs. Thatcher and British officials to reporters during the five-day conference. Mr. Hawke was joined in his port with Zimbabwe.

opposition to Britain by other lead-ers of the "old," predominantly white Commonwealth, including

erence here.

As expected, Mrs. Thatcher rethat the sanctions adopted by the

many whites to resist racial reform. She also refused to join other Commonwealth nations Saturday of apartheid should seek to make in an effort to monitor the enforcecause economic growth had proven The result was a statement by the to be the most effective way of

"It's a curious social barometer sified application" of sanctions by isn't it, to measure progress by the all nations, and an effort to see that millions of jobs that you can dethe Commonwealth measures, and stroy?" she said in a television in-

Sanctions imposed by the Commonwealth have included bans on loans to the South African governdealing with sanctions included an ment and on purchases by South explicit dissent by Britain, which African government institutions, a has the largest trade and invest-prohibition on new investments prohibition on new investments and the rupture of air links. In addition, there have been embargoes on exports to South Africa of computer equipment, nuclear tech-nology and oil, and restraints on imports of certain South African products, including food products, coal, uranium and steel.

Almost overlooked was a com-Although Britain has been at mitment by the Commonwealth odds with its Commonwealth part-nations to increase aid to six black land, and has continued to ordain ners over South Africa before, the African states, South Africa's priests. nence of the criticism went neighbors, which have accused Prebeyond what has been customary toria of sabotaging their economies and transportation links.

The government leaders undertook to concentrate on the rebuilding and protection of transportawith emphasis on the port of Maputo in Mozambique and the Limpopo railroad line connecting the

May Regain Legal Status,

Vatican Says By Roberto Suro

New York Times Service ROME — The Varican has announced plans to restore legal standing to a rebel French archbishop and his outlawed following of traditionalist priests, in a move to mend fences with one of its most

The French archbishop, Marcel Lefebyre, who rejects the changes of the Second Vancan Council and who has accused Pope John Paul II of "blasphemy," spent an hour Saturday morning with the pope's primary exponent of orthodoxy, Cardinal Joseph Ratzinger.

Afterward, the Vatican announced that John Paul would appoint a personal representative to

point a personal representative to investigate the archbishop's priestly order and establish new regulaons for it.

The Vatican said the talks with Cardinal Ratzinger, prefect of the Sacred Congregation for the Doc-trine of the Faith, the Vatican theological watchdog, had taken place

"in a climate of communion."

There was no indication of whether Archbishop Lefebyre had agreed to modify any of his positions, which have caused some in the Vatican to consider him a very dangerous dissident.

Negotiations leading up to the action Saturday began earlier this year after the archbishop threat-ened to ordain several bishops without Vatican approval, the most severe form of rebellion in the Roman Catholic Church. The pope, according to Vatican officials, was auxious to avoid this because church law would have required him to excommunicate the arch-bishop and formalize a schism, an outright break, with the archbish-op's followers.

Archbishop Lefebvre has be-come something of a hero to some highly traditional Catholics, especially in Europe, because he and his followers insist on saying the Mass in the old Latin form. He has also rejected the church's modern teachings on religious liberty, which were codified more than 20 years ago by the Second Varican Council.

A long period of consultations and study will be required before final action can be taken on the archbishop's case. Varican officials said, indicating that important unresolved questions could undo the

peacemaking efforts.
In 1975, the Vatican withdrew its approval of the archbishop's society, the Priestly Society of St. Pius X, and the next year Pope Paul VI suspended the archbishop from functioning as a priest or a bishop because he disobeyed a direct papal command to stop ordaining priests for his society.
Since then, Archbishop Lefebvre

has opened affiliates around the world of his society, which has its headquarters in Econe, Switzer-

TOKYO --- A typhoon designa ed Kelly, packing winds of up to 79 miles per hour (126 kilometers per hour) killed at least six persons as it cut a swathe across Japan, officials said Saturday.



Rebel Cleric Avant-Gardists Dominate Paris Ready-to-Wear

their shoulders, bosoms are pop-ping out of deep decolletages and long gloves and hats are returning to fashion. These are some of the trends emerging for next spring and summer from the full schedule of ready-to-wear openings over the weekend. The avant-gardists have dominated the runways in the tents at the Louvre and other locations

Jean-Paul Gaultier is a promi-nent cult figure credited with leading fashion down bold new paths. Five thousand of his fans traveled to former slaughterhouse district of

PARIS FASHION

tops of some of his jackets have disappeared. Instead, a scarf is draped around the shoulders, or the cuffed neckline of the T-shirt inside the jacket is pulled over the rim. You have to see it to believe it. Another breakthrough is the jacket that ends in pants, like a leotard.

The bare-shoulder jacket is paired with wide-leg trousers.
Gaultier has been showing miniskirts for so many years he is bored



Karl Lagerfeld's updated 18th-century ball gown in navy organdy, with a corselette like that of Marie Antoinette.

He also shows some relatively conventional jackets shaped with last season and obviously they have caught on.

That's the good news. The bad news is that the Gaultier obsession with underwear, especially girdles and bras, continues. Jackets and jumps nits have padded but tops. A ringer for a high waisted girdle serves as a skirt with a denim jacket and dresses mimic old-fashioned corsets with lacings at the back or

zippers at the front

Thierry Mugler's theme for the Bracelets were made of makeup season is Africa. He presented his collection at the Museum of Afri
The watchword was "sexy" as can Arts near Vincennes for verisimilitude. There was so much action nobody paid much attention to use clothes. Iman, the spiendid mannequin, tried to lead a reloctant tiger was made of lacquered polaroid cub down the runway. The tiger pictures. Lagerfeld pours ideas out in breathtaking profusion in his collection under the aegis of Who knows what she wore? Some-thing short in creamy leather with a lot of matching horsehair. Then there was the group of bare-chested men and women in loincloths? Are loincloths coming back? What about the African look?

Well, there were tree-bark prints, miles of gold bangles running up the arms and neck, and a safari

jacket or two.

Never mind the specifics. People will be talking about the perfor-

mance for a long time.
Claude Montana, whose shows once recalled the Ziegfeld Follies, now concentrates on clothes. His collection is filled with meltingly pretty colors - pale rose, aqua, chartrense and shades of blue look girlish and decorative in cotton poplin and smooth leather. Jackets are often long and skirts are very short. The skirt seems to be withering away. Montana often replaces it with shorts. Navy shorts and white blouses make an attractive group of styles. Short matching gloves turn up with most outlits. A mysterious touch is the pouchlike protrusions in the front of jackets and at the waistlines of some.

skirts. Some observers felt they were there to carry mad money or groceries, but there's probably a Once filled with aggressive tai-

lored clothes, the Montana collec-

tion is now soft and decorative. It is

Karl Lagerfeld's message is more and heavy. His best clothes are still diffuse. Hardly a fashion point is his simplest. left untouched in the collection of 160 pieces that ranges from skinny contemporary looking knitted dothes to updated 18th-century ball gowns. Very full long skirts over very short underskirts is one of the contemporary of the the current interpretations of the Marie Antoinette look. Very short and full skirts is another.

The accessories were as riveting as the clothes. Rounded straw hats framed the head like halos. Gloves had each finger in a different color or were boldly striped gauntlets. Bracelets were made of makeup

bosoms popped out of low neck-lines, waistlines were taut and Revillan

Marc Audibet didn't fare as well this season as he did with his last collection when he concentrated on

By Bernadine Morris

New York Times Service

PARIS — Jackets are losing their shoulders shoulder should be shown so far, if you're not put their shoulders, bosons are pop
their shoulders, bosons are pop
Along with pads and collars, the works with the avant-garde.

La Villette to check his blueprints with them now that the rest of the world has taken them up. So he has be shown so far, if you're not put the simple, fluid clothes. Today, however, his clothes look overdesigned and heavy. His best clothes are still works with the avant-garde.

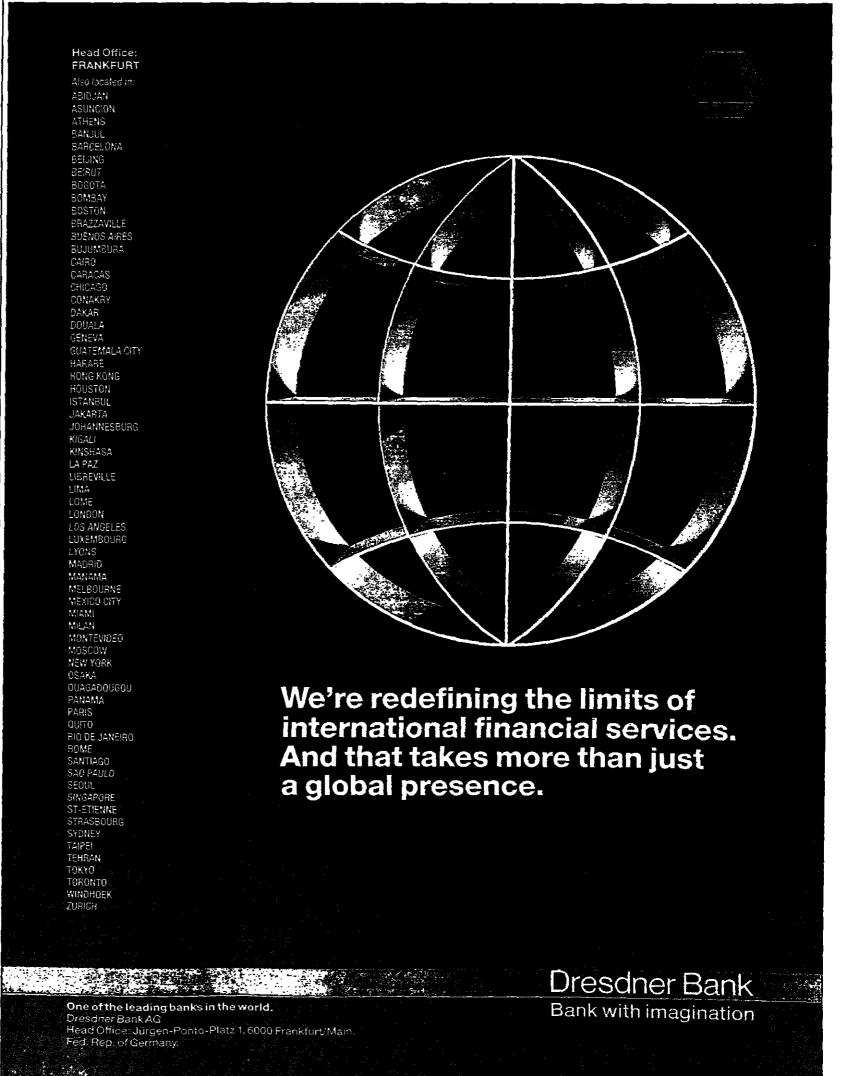
Karl Lagerfeld's message is more

Advanced designs need not be unpleasant. Issey Mivake proves that with a beautiful collection of mostly casual clothes that is wildly inventive but still looks wearable. Cork is one of his new materials, hand knitted into fluffy bloused tops and skirts and pants. Imaginative headgear, made of rubber tire tubing, sponge and cork, accompanies his clothes. These are as simple as a long stole with slits through which the arms can pass. Chutched around the body, it makes a cozy jacket. The collection is an adventure in good dressmaking.

Soviets Reach 283 Million

United Press International MOSCOW — The population of the Soviet Union stood at 283.8 million on Oct. 1, Tass reported. The figure, given in a brief dispatch Saturday, showed that the Soviet Union has the third-largest popula-tion in the world after China and





By Stephen Engelberg and Bernard E. Trainor

New York Times Service WASHINGTON - U.S. intelligence agencies have established that the Stinger missile parts found on an Iranian attack boat in the Gulf this month were part of a batch supplied by the United States to Afghan rebels, who lost them to Iranian forces in June.

Reagan administration officials said the Afghans had lost the missiles in a skirmish with Iranian they crossed the Iran-Alghanistan

The officials said that there were exchange of fire, but that after the among those who were alerted Iranians called in reinforcements, the guerrillas were overwhelmed and their load of as many as 30 Stinger missiles was taken.

Officials gave various estimates of the number of missiles involved. One said that 30 were lost, while two others said that the number was 8 to 10.

They said the capture of the missiles then touched off an intense round of diplomatic activity. Pakistani officials and the Afghan guer-rillas, appealing for solidarity with the Islamic cause, tried to convince Iran to return the missiles. U.S. officials said they believed that the talks, which are continuing, now had little chance of success.

The missile parts, including a battery marked with a serial numafter they fired at U.S. helicopters.

Officials say they are convinced that reports that the Afghan groups had sold some of the missiles to Iran are untrue. They say they have no evidence to contradict the story of the missiles' capture as told by

the Afghan commanders. Several officials cautioned that the investigation into the loss of the Stingers was continuing and that officials were leaving open the possibility that the Afghan rebel commanders might not have told the

"We have no reason to doubt there was a firefight," one official

The conclusion that the batteries were originally part of a shipment of weapons from the United States to the Afghans is significant because it is likely to revive a debate in the administration and Congress over whether and under what cir-cumstances such high-technology weapons should be provided to guerrilla groups. The Central Intelligence Agency, operating in close cooperation with the government of Pakistan, has been covertly supporting the Afghan rebels for near-

ly seven years. After sharp internal debate, the administration decided in 1985 to begin supplying the rebels with the weapons. Some military officials objected because they feared the weapons could be captured or lost and then used against U.S. forces.

Officials said that knowledge of the capture of the Stingers was initially kept to a very small group of troops who surprised them after officials in hopes of maintaining secrecy over the Pakistanis' diplomatic efforts. But they said that the Joint Chiefs of Staff and the comcasualties on both sides from the mander of Gulf forces had been Officials insisted that the Penta-

gon had been given sufficient notice to insure that U.S. aircraft patrolling the Gulf were prepared to counter the threat presented by the Stinger, a shoulder-fired weapon that has been used with devastating effectiveness against Soviet aircraft in Afghanistan

The Stinger comes in several versions; officials said that the Afghans have been sent only the basic Stinger. The officials said U.S. aircraft were equipped with advanced flares to deceive the heat-seeking

Officials said that it was possible for the Iranians to learn how to fire the relatively small number of Stingers they have captured, but that it was unlikely they could beber, were found aboard one of two gin mass-producing their own Iranian patrol boats captured by copies. Iranian officials have said the U.S. Navy in the Gulf on Oct. 8 in recent days that their country was now making Stingers.

One official added, however, that Iran could well sell one of the Stingers to the Soviet Union, which has the technological know-how to produce a replica.

As pieced together from accounts by more than a half dozen administration officials, the loss of the Stingers began in early June when a group of Afghan rebels was step up that ladder. making its way along the southwest corner of Afghanistan in Nimruz Province, near the Iranian border.

The officials said that because the group came to a river too deep to ford, it was forced to change course and crossed into Iran while going around it. By another account, the Afghans were running short of gasoline and decided to search for fuel inside Iran.

While there is some disagreement over what motivated the Af-



Ida Nudel, a Soviet economist and celebrated Jewish activist, who arrived in Israel on Thursday after struggling to President Ronald Reagan, who was visiting his ailing wife, emigrate for 16 years, with Secretary of State George P. Nancy, at the Bethesda Naval Hospital in Maryland.

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GULF: Reagan Reaches Decision on a U.S. Response but Won't Disclose It

11 tankers that Kuwait registered the United States, whose naval task qualify for U.S. military protection freedom of navigation in the Gulf." in the Gulf.

A U.S. official accompanying Saudi view, the official said. The state-controlled news media

in Kuwait called Saturday for Prince Saud al Faisal, said in an

the attack as a "direct challenge to Kuwait and that "Kuwait has the "we're there to protect our interests in the United States last summer to force has undertaken to defend Arab League in whatever action it We're not there in an aggressive decides to take."

Mr. Shultz reported that Kuwait would take the missile attacks to Mr. Shultz said that the Saudi lead-ership had made clear to the secre-tary its desire for a U.S. military response to the recent attacks. Gulf Cooperation Council or with Hardly anything the United States the Arab League, with the United might do would be excessive in the States favoring the course of a collective appeal.

The Saudi foreign minister,

strong U.S. military retaliation. A interview that his government had Kuwaiti newspaper characterized been in diplomatic contact with

Mr. Shultz confirmed that the United States had exchanged written messages with Iran on the two nations' purposes in the Gulf, but American retaliation.

"We're not going to tell them our game plan." he said. diplomatic communications, ac- ated Saturday through neutral cording to Mr. Shultz, was that Oman.

full support of the GCC and the and those of our friends and allies.

Meanwhile, an Iranian naval commander charged that U.S. forces had "badly tortured" four wounded franian Revolutionary he denied a report that the U.S. Guards during their detention after. Mr. Shamir has resisted a promessages spelled out in detail the an armed clash in the Gulf, Teh-posed international conference on transan actions that would lead to ran's official press agency, IRNA, peace in the Middle East, which has wan the endorsement of the Arabs, reported Sunday.

The men, who were wounded when U.S. forces attacked three partner, Mr. Peres. The basic message to Iran in the Iranian boats Oct. 8, were repatri-(Reuters, WP, AP)

Shultz Exhorts Israelis To Revive Peace Effort

By Don Oberdorfer
Washington Past Service
JERUSALEM — The U.S. secendorsed it.

retary of state, George P. Shultz, wound up three days of meetings with the rival leaders of the Israeli coalition government by calling Sunday for "energy, unity and resolve" in restarting an Arab-Israel peace process and warning that "no one helps the chances for peace by

doing nothing."
Mr. Shultz's remarks at his only public address in Israel were inter-preted by Israeli journalists as critical of Prime Minister Yitzak Shamir, who has vetoed the diplomatic initiatives of his rival, Foreign Minister Shimon Peres.

In a news conference several hours after the speech, however, Mr. Shultz went out of his way to praise Mr. Shamir's desire for peace and announce that the prime mister would pay an official visit to Washington next year.

Mr. Shaltz met three times with Mr. Shamir and three times with Mr. Peres - but never with the two men together — during a three-day visit that was interrupted by a trip to Saudi Arabia on Saturday.

He said that "I can't point to any particular thing and say, look, we've moved from here to there" as a result of the discussions. Mr. Shamir has resisted a pro-

won the endorsement of the Arabs. the Soviet Union and his coalition

Mr. Shultz pledged that the United States was willing to ex-

although the government has not

In his address, to the Weizmann Institute in Rehovor, the secretary declared that "those who are reinctant to explore new ideas, or even revisit old ones, have an obligation to offer something different as an alternative to the status quo."

Questioned about the statement in his news conference, however, Mr. Shultz insisted that this did not apply to the current Israeli government talks, saying he had found "eagerness to discuss the peace process on all sides."

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The one area of open discord was between Mr. Shultz and nine Palestinian leaders from the West Bank and Gaza, who refused an invitation to meet him.

Mustafa Natshe, former mayor of Hebron and spokesman for the group, said, "Our people refused to come as a kind of protest against

American poucy

He charged that U.S. policy is nores our national rights, our right to self-determination and our right American policy. to have our own state, and refuses to recognize the Palestine Liberation Organization as our sole legitimate representative."

Mr. Natshe said the group was particularly angry at the recent State Department order to close the PLO information office in

Washington.
Mr. Shultz said "it is too bad for Palestinians had rethem" that the Palestinians had refused the invitation to talk because "Palestinians keep saying they want representation, they want to be heard, that they want to be histened to, that they have ideas, that plore the idea of such a conference, they have an important role."

(Continued from Page 1)

POLICY: U.S. Ponders Gulf Role PUMPKINS:

(Continued from Page 1)

acutely aware of miscalculations in the last three months about Iran's readiness to risk direct confrontation with the United States, seem to be weighing closely this time how
— or whether — to make the next From the beginning, administra-

tion policy-makers have offered changing definitions of U.S. objectives, ranging from the limited task of protecting only the 11 reflagged Kuwaiti ships to defending the free right of navigation in the Gulf's international waters for all ship-

now extend into Kuwait's waters. but several other stated U.S. comlying the Gulf states, and that the
mitments would seem to require
in the were discovered by

But several other stated U.S. comlying the Gulf states, and that the
some U.S. action.

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ment spokesman, Charles E. Red- The Heavyweights man, said at a Sept. 9 news briefing that while there was no certainty what the United States might do if a U.S.-flagged ship was hit by Iran inside Kuwait's waters, "we protect U.S.-flagged shipping throughout the world, wherever it is."

The other commitment, renewed by Secretary of State George P. Shultz as recently as Thursday, has been to tell Iran that the United States is determined to show its resolve to help its Arab Gulf friends defend themselves against Tehran's threats and to keep the Soviet Union out of the Gulf.

The rules of engagement laid down for U.S. warships escorting reflagged Kuwaiti tankers do not in becoming dominant in the Per-The U.S. purpose, he said, is "to sian Gulf by intimidating and bul-

(Continued from Page 1) until Stephen, who had come across the method in a sci-fi film called "Dark Star," sent for a news sheet on hydroponics from the Encyclopedia Britannica, bought a packet of seeds and failed utterly to win a prize at all.

"At least I got a fruit," he says.
"Somebody said I had a lot of guts and willpower; I thought, Blimey, that's a nice thing to say."

Stephen didn't compete this year as he didn't have a suitable entry, but watch out next year. Although Stephen is too nice a guy to have the killer instinct a champion needs, he is probably on to a good thing. To grow a giant pumpkin normally requires 250 to 300 square yards of space. Stephen's pumpkins grow nearly on shelves in his backyard.

They are housed in a pumpkin-shaped greenhouse that Stephen designed and built with a De Lorean-style gull-wing door, and they are fed by drip tubes containing nutrients. Whenever he thinks he might get a few quids' worth of sponsorship out of an interview, he says he feeds his pumpkins beer.
"I rise to the occasion," he says. "If it's Australian TV, I say its

tralian lager; if I have American TV, I say I always give them Budweiser. I'm hoping someone will say, Listen, we can bung you a few grand if you give them Bud-

"I would have thought they'd grow bigger," he said, "because they've got a more leisurely life style, just sitting on their shelf. At the end of last year when the nights started drawing in, I bought an trick them into believing it was summer." The pumpkins were not

He has tried talking to them — "I threaten them, curse them, tell them I'm going to cut them off at the roots" - and he plays them in Cinderella." rock 'n' roll.

said, "but it might give me an edge. I know people play Liszt and Beethoven and that sort of thing, but I thought I'd try rock 'n' roll because I've got the tapes." Chuck Berry and Eddie Cochran haven't done the trick, so Stephen is planning to form a live rock group and is learning guitar.

"I don't want to be like Eric Clapton or Segovia or anyone like that," he said, "I just want to play basic rock 'n' roll. I practice every night. I'm going out tonight be-cause I get on me mmm's nerves." Last year's measly 50-pounder ended as a jack o' lantern photo-graphed with Stephen's expensive

American guitars as a promotion

promote. Right now, he says he

No one has, and keeping pump-thinks the problem is seeds, and hear that he would not be compet-kins warm and well fed is not what he wants to do is get giant ing this year. "But I said, Next

"I wrote to him, World Chambion Pumpkin Grower, New Jersey, New York, U.S.A., and I said: Listen, send me some of your champion seeds and I'll grow then artificial sin lamp — cost me 290 in England. If I win the 12 grand quid — and stuck that in trying to I'll split it with you. The envelope came back, 'Not Known.'

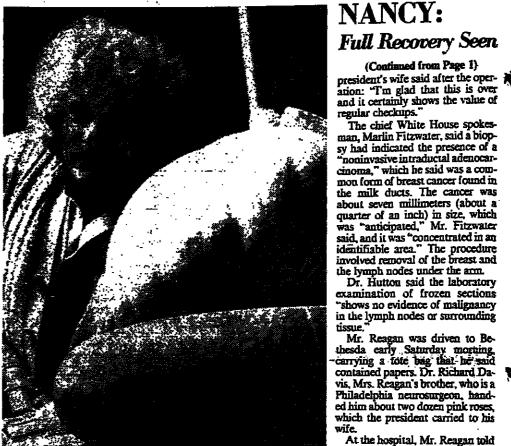
Stephen didn't even know how to say hydroponics when he started. "I knew nothing about pumpkins, I never even seen a pumpkin," he said. "The only one I ever seen was

For someone so green, he has "It's a bit eccentric, I know," he already made a mark in the pump-aid, "but it might give me an edge. kin world, and he says Pam Deschamps of Garden News was sad to

Burundi Leader Eases Restrictions on Church

BUJUMBURA, Burundi -President Pierre Buyoya of Burundi, who led a coup on Sept. 3, has amounced that Roman Catholic churches may celebrate Mass on weekdays as long as they do not interfere with development work.

Mr. Buyoya had cited a ban on weekday church services and other restrictions on religious activities as among the reasons for deposing the ploy when he has a pumpkin to former president, Colonel Jean-



Stephen Liddard grows pumpkins hydroponically.

what he wants to do is get giant ing this year. "But I said, Next Hutton. seed from Robert Gancarz, the year, and she said, We'll be look-American world title holder. "Ing forward to that with anticipa-

the pumpkin world has not been all that welcoming. "Most people, when it comes down to the nitry. U.S. Commitment gritty, don't want to know," he said. "I had a nutter here said he was an experimental engineer and a member of Mensa. He wanted to

sell the greenhouse in the U.S. He said, 'How about if you mount a bike inside and cut a hole in the roof and make it a mobile observatory, and when you pedaled it would turn.' He's a nutter, I

thought."
It isn't easy to be a pioneer, but sure as God made little pumpkins. Stephen will stick to it and with luck may win the prize and live happily ever after. In the mean-time, he has another hobby: cus-tomizing cars. If he ever gets a pumpkin big enough, he can turn it into a coach.

FINALLY HAD TO

"Honey, I know you don't feel like dancing, so let's hold hands," the president said, according to Dr.

the doctors, "Take good care of her," according to Mr. Fitzwater.

The president remained at the hos-

pital while the surgery was per-

Tais was nice, he says, because TEST:

(Continued from Page 1) and the Soviet Union last month agreed to step-by-step negotiations to improve procedures to verify compliance with a treaty and set

limits on nuclear testing.

The ultimate objective," said a joint statement, is "the complete cessation of nuclear testing as part of an effective disarmament pro-

"The administration is entering this negotiation clearly opposed to the stated goal," said Spurgeon M. Keeny Jr., a former government arms control official who is now president of the Arms Control Association, a private organization that seeks to promote nuclear weapons accords.

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French Banking

COUNTDOWN **To Deregulation**

March 1986: Stock Market **Launches Early Session**

The Paris Bourse begins a morning trading session, added to the present two-hour afternoon session. Thirty leading French shares are being traded in the new session, held between 9:30 A.M. and 11 A.M.

May 1986: Rules for Buying Securities Are Loosened

Residents are able to purchase foreign se-curities on external financial markets without having to obtain the necessary foreign currency by first selling other foreign securi-

June 1986: Computers Alter System of Trading

Computerized trading is installed from 10 A.M. to 5 P.M. One year later, 83 stocks were being traded all day. The system is ex-pected to apply to the whole market by the end of 1988.

September 1987: Traders **Get Options Exchange**

First stock options exchange is created. In addition, an index-based option is expected to be launched by the beginning of 1988.

Jan. 1, 1988: Liberalization Of Bank Stocks Scheduled

Through legislation being debated in the National Assembly this fall, the 45 Parisian banks and 15 regional firms will be allowed to sell up to 30 percent of their capital to outsiders. This figure will rise to 49 percent in 1989 and to 100 percent in 1990.

In 1992: Monopoly Ends

-:-

TIST:

The present brokers' monopoly in the market ends. The number of seats on the Bourse, now at 45, is to be increased by an unspecified number.

Strengths and Weaknesses

Bankers Hone Bid For EC Leadership

By Robert Pouliot

ARIS — Still shaken by the effects of three years of change in the industry. French banking is facing a rough ride to 1992 if it wants to win the

European leadership in finance.

"Unless we move fast, we will get buried deep into our hexagon," said Henri Moulard, managing director of the Société Lyonnaise de Banque. His \$7 billion bank aims to recreate a "Latin are" in finance by linking Lyon, Geneva, Milan, Turin and Barcelona with Monte dei

Paschi.
While the United States is still debating over the Glass-Steagall Act and cross-border state banking, the lifting of all barriers to capital movements within the European Community has become the top challenge of French banks, with 200 branches, subsidiaries, representative offices and associated institutions spanning

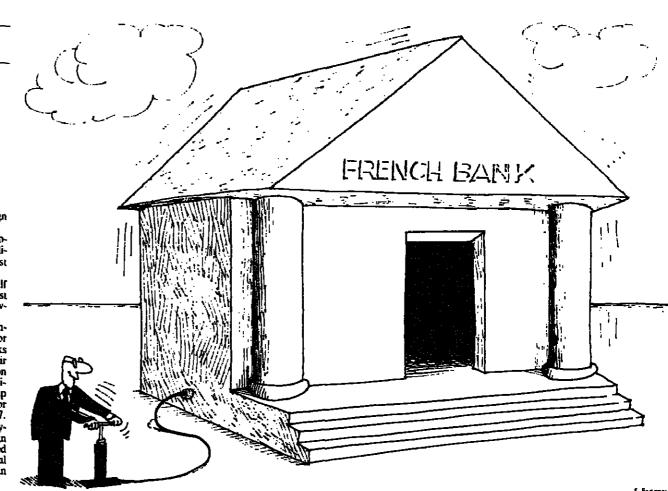
"Despite our heavy international network." said Olivier Robert de Massy of the powerful AFB, the French bank association, "we still might be too light in Europe," with one foreign unit out of five operating on EC grounds. Before taking over Europe, though, problems of adequate capital resources, profitability and quality of staff need to be resolved first

Bank capitalization stands at about only half of what major competitors in Britain and West Germany have in order to face major upheavals on the world market.

France did build massive provisions for nonperforming loans way ahead of American or British banks. Last year, the top three banks added 18.5 billion francs (\$2.9 billion) to their stock of provisions now totaling 85 billion francs. By adding provisions and raising capital, the 385 members of the AFB beefed up their first line of defense by 80 billion francs, or 71 percent, in 1986 through the spring of 1987.

And more is to come as leading heavyweights are pushing their coverage of sovereign risks way beyond the 40 percent mark achieved so far. The Paribas group, relying on global capital resources of 71.6 billion francs, plus an

Continued on page 8



Privatization Goes Ahead Without Investor Enthusiasm

By Julian Nundy

ARIS - Despite the overall lackluster performance of French stocks this year. France has pressed ahead at full speed with privatization— the cornerstone of Prime Minister Jacques

Eleven months after the first denationalization, of the Saint-Gobain glass, construction and packaging concern, the verdict among financial experts is that the policy has been a success for the government. At the same time, it has brought a good, if not spectacular, return

While the opposition Socialist Party, accompanied by recent rumblings of discontent from

Mr. Chirac's center-right allies in the Union for French Democracy, regularly attacks the program, it is one that seems to inspire little sapproval in the general public.

The complaints about the policy have ranged from charges that Finance, Economics and Privatization Minister Edouard Balladur was underpricing privatized stocks to one that he has been showing excessive favoritism to his political friends when awarding shares to the "hard cores" of investors that control the dena-

tionalized companies.

Since Saint-Gobain went on sale last November, 11 companies have been privatized. The government's goal is to denationalize a

By late September, the average increase in the price of the first 10 denationalized stocks

was 21 percent, a creditable if unexciting performance from an investor's point of view. For the government, some analysts see these results as an indication that the stocks were

correctly priced at the outset. "The government can't be accused of selling off national assets at cut rates," said Michael Cocker, an investment counselor at the Banque Louis-Drevfus who advises foreign investors on French stocks. The Socialist Party had accused the government of setting prices at 25

percent to 30 percent below their real value. But there is a wide disparity between the performance of the privatized stocks. Saint-Gobain topped the list with an increase of 64.5 percent. The worst performer so far has been Société Générale, with only 3.4 percent since

its privatization in June.

formed this year by 25 of the 220 stocks on the main monthly settlement board at the Bourse, remains an excellent buy, bankers say.

"It's been one of our best investment stocks and we are still recommending it," one investment counselor said.

Of the first 11 privatizations, seven were banks and the 12th, due by the end of this year, will be France's largest insurance company, the Union des Assurances de Paris, which is only the 45th largest in world terms.

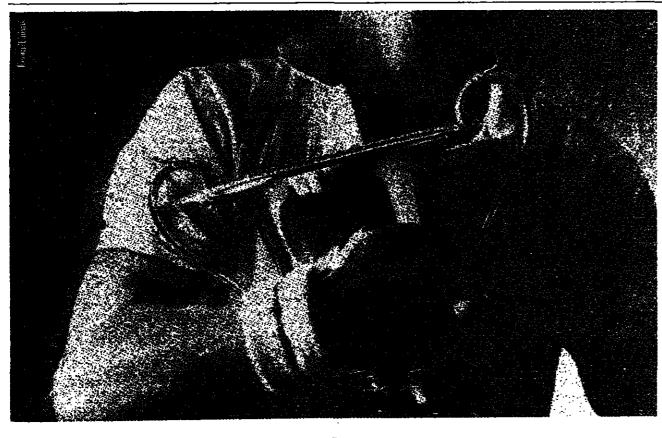
Analysts complain that this has led to an increase in an already large financial sector on the Paris Bourse at a time when such stocks have been generally mediocre performers. Another insurance company, the Assurances Générales de France, a deposit bank and a major industrial company, expected to be Rhône Poulenc, will be privatized early in the

Banks, with their straightforward management structures, are easier to denationalize than sprawling industrial concerns with a spread of differing activity, the analysts say. The price of the Compagnie Financiere de

Paribas, the second stock to be privatized. dropped when the bank made a new share offering in the spring, while "the Credit Com-mercial de France was pulled down by the general movement on financial stocks and the Societé Générale never got off the ground." one banker said.

People would be more interested if they

Continued on page 8



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Pag- 1.

Capital Markets Spur Innovations in Mortgage-Backed Securities

By Linda Keslar

ARIS — The potential boom in mortgage-backed and other forms of asset-backed securities here is so certain that at least one major U.S. investment bank that is looking to develop business in the market will not even talk about

"The market could develop very quickly," is all the investment banker would say. don't want to call attention to it and alert our

Salomon Brothers, a major underwriter of U.S. mortgage-backed securities, is mute as

lar area of the French capital markets.

While U.S. lenders have been pooling mortgages into debt securities for more than a decade and are now bundling other assets, such as credit card receivables, into new instruments, securitization of mortgages in one form or the other is just now taking place in Canada and Britain, and in a more limited way, in France. The method requires major lenders to home owners here to bundle like mortgages together, back them with a guarantee of sorts to assure creditworthiness and create debt instruments that can be traded in the bond

"The financing concept took 15 years to

cross the Atlantic, and now the question is how long will it take to cross the Channel, said Didier Negiar, a manager at McKinsey & Co., the management consulting firm, at its Paris

The single-family housing market was the stimulus that led to the explosive growth of asset securitization in the United States, which mushroomed to \$270 billion last year. Most of these securities were collateralized by mortgages and developed as a way for banks and thrifts to raise funds and disperse the risks of lending to homeowners.

In France, however, the \$46 billion mortgage market is heavily subsidized by the govern-

loans made by most banks, thrifts and special-ized lenders here. But the deregulation of the French banking sector is creating a new competitive environment, one in which its players are becoming more concerned with ways to manage interest rate exposure on their balance sheets. Asset-backed securities can allow a bank or thrift to transfer what had been its risk to the investor in those securities and relieve its

balance sheet at the same time. For France, the time is ripe for such innovations due to the changes sweeping over the banking industry. A major shake-up has been created by the development of new instruments and markets, like commercial paper and ment, which directly underwrites the mortgage certificates of deposit, that have allowed major

A drop in their traditional source of funds is leading more French banks to look at alternatives, and the type of off-balance sheet financing offered by asset securitization, may be the norm in five years or so, said one expert.

"I could see it then, as banks are becoming more capital-ratio conscious," said Philippe Masson, a principal of Mckinsey in Paris. Moreover, several of France's largest national banks are also being privatized, which also changes their profit motives.

But bankers say the factor looming largest on the horizon for French authorities is 1992.

French corporations to go directly to the capital markets for funds and bypass banks completely. banks here more incentive than ever to become competitive with their international counter-

McKinsey, for one, has been studying what profound changes this is having on the French financial community.

"We're looking at how the mortgage backed market developed in other countries, what financial and regulatory changes must be accomplished," said Mr. Masson.

LINDA KESLAR is a financial journalist based in New York.

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Companies Discover World Equity Market

ARIS — The world is Paris. "It's becoming essentially a bigger market and more liquid." wooing French equities these days. While the Chirac government's privatization plan will increase the market capitalization of the Paris Bourse by an estimated 25 per-cent, heightened international in-vestor demand is also leading many French companies to directly offer their shares abroad for the

Although the size of these cor-porate flotations has been relatively small compared to the mammoth offerings by French government-owned companies go-ing private, the trend toward international tranches in equity offerings by French companies is catching on. Some companies are even selling their shares exclusively to foreigners.

"We're talking to more and more French corporate managements about tapping into the international equity markets," said Danielle Kaydeyan, an equity an-alyst who follows the French markets for Salomon Brothers in London. "The French market is no longer isolated." Opening up cor-porations to the global markets will give them more leverage in financing, she said.

Official estimates place foreign ownership at about 15 percent of the \$3 billion market capitalization of the French Bourse, and an even greater proportion of French equities held by foreigners outside of France. That is giving foreign investors considerable influence over French companies, some of which have as much as a quarter of their capital now held abroad. And that number is growing.

"It's a matter of the French markets becoming more interna-tionally integrated," said Tanguy Lidouvello of Lazard Freres in

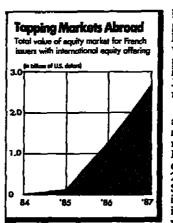
The underdevelopment of the French stock market has kept internationalization at bay until recently, since it is hard to convince foreigners to buy stock if there is a

weak home base to sell back into.

However, with the sweep of privatizations, many of which have sold portions of their offerings directly to investors abroad, the Bourse is thriving, with trading volume up 50 percent for the first six months of this year. So much so that some private sector companies first approached international equity financing for fear that the privatizations would saturate in-

vestor demand in the Paris mar-

If anything, the contrary has been true. "The French market is strong, regardless of privatiza-tions," noted Ludovico del Balso,



an executive director of Shearson Lehman Brothers in London. All the same, the large scale of helped. Compagnie Genérale d'E- percent of which was sold to British, German, Swiss, American and Japanese investors through a separate international stock syndicate. By comparison, the internation-

al flotations by the French corporate sector have been noteworthy more for their incidence than size. Peugeot, the French carmaker, for example, sold more than half its 2.375 billion new shares worth \$395 million directly to foreign investors this summer by syndicating the stock globally through a wide range of investment banks. The shares retailed for \$166 apiece, and it marked the first time the company targeted a stock offering to investors outside France.

While, the internationalization of ownership of French companies

lectricité, the telecommunications is a positive trend, it could lead to group, for example, issued the largest French offering ever and was worth about \$1.06 billion, 20 percent of which was sold to Brithage and to wake up to the uncompanies have had to wake up to the uncompanies. fortable fact that they can now become targets of hostile bids from both French and international raiders. "French managements do not have the same kind of control with their shareholder bases broadening," she said.

But it also gives companies more potential spending power to make acquisitions themselves. There could be an accelerating trend of French companies buying other foreign companies through stock offerings." she said. This could lead to some mammon cross-border combinations, since, before now, corporations' means of raising cash were more limited, she added.

Linda Keslar

Bankers Hone Bid for EC Leadership

Continued from page 7

extra 17 billion francs in provisions, raised a further 3.5 billion francs in equity this summer. Yet, those giant efforts may not be enough. Figures of the Organization for Economic Co-operation and Development still suggest a capital deficit of 1 percent to 1.5 percent on total assets or 75 billion francs more to be raised in

An extreme case is the "green bank," the Caisse Nationale de Crédit Agricole, with less than \$1 billion in equity against total assets exceeding \$100 billion. About to be sold by the state to 94 regional cooperatives, its AAA credit rating is at stake for lack of adequate capital resources, and that could make a serious dent in profits.

The catch-22 for French bankers is to beef up their "resistance capacity" while building a large treasury chest to fund their European drive, which can only be tackled through mergers, acquisitions and equity alliances rather than by multiplying branches abroad.

Two outsider groups emerging from the Par-ibas empire of 1981, the London-based Pallas Group of Pierre Moussa and the Brussels stronghold of Pargesa led by Albert Frères, are showing the way. But to atteact more capital hanks need

improve their profits. Poor productivity and low return on capital kept the French trailing way behind other European countries through the 1980s. Compared to British banks, return on assets were six times lower and productivity One reason lies in the rigid policies imposed

since 1974 by the state on credit growth and market shares. The result was an above normal reliance on highly volatile and short-term-geared interbank funds, accounting for 50 percent of balance sheets against international norms of 10 percent to 20 percent.

This is why privatization had such meaning in France. Although the Banking Commission claims that it would never allow a bank to fail, the whole quality of massive interbank loans could suddenly be questioned abroad, especially when such leverage proved to be so

Despite a strong comeback in 1986, when profits surged five times, Banque Worms threw away 203 million francs on its net interbank and money market dealings. Credit Commer-cial de France (CCF) as well had to wine out 1.6 billion francs while the huge Paribas, downgraded to an AA+ rating, had to cover 11

But things are changing, and interbank window-dressing is now giving way to tougher bottom-line criteria. This, in turn, is signaling a major shift in correspondent banking policies with a stress put on relationship prolitability. Among the most advanced is certainly Credit Lyonnais, using six different and integrated data bases to monitor relations with up to 3.000 institutions worldwide.

Less interbanking, a virtual hiring freeze, lower taxation (down to 45 percent) and booming capital gains lifted net profits by 40 percent last year for the top six commercial and invest-

What really saved banks from a crunch in corporate credits over the last two years was surging noninterest income, now exceeding 33

Short-term commercial and equipment loans fell by 6 percent last year as a result of a dramatic improvement in corporate self-fundsearch house, shows that 49 industrial groups earned about 1.5 billion francs on their financial dealings, a gain of 30 percent over 1985. Thomson-CSF, the major military hardware group, earned more money out of finance (1.9 billion francs) than from its industrial activi-

Aside from going retail and squashing mar-gins on corporate loans, the only alternative left was to start investing directly in bonds and

shares or to manage third-party portfolios.

Since 1985, direct portfolios held by banks affiliated to the AFB more than tripled to 162 billion francs and exceeded all their shareholders' equity. A good case is the CCF, which is expected to post a group profit of 540 million francs in 1987, due largely to 250 million francs worth of capital gains.

However, direct portfolios are only the up of the iceberg. Over the last year and a half, total assets of mutual funds (SICAVs and FCPs) zoomed to 1 trillion francs, or the equivalent of about all clients' deposits held by all AFB members. Most of those funds are managed by banks, with about 40 percent locked in the hands of the top seven.

The Banque Fédérative du Credit Mutuel of Strasbourg shows what underground banking means. Beside 40 billion francs of deposits, the whole group (with local co-op branches) gathered 25 billion francs of funds in its region and managed most of the 70 billion francs of securities generated by the rest of the Credit Mutnel network across France.

At the other end, Paribas was managing worldwide 164 billion francs of funds for third parties, more than all its clients' deposits, plus another 51 billion francs of securities held directly. No wonder that it could boost 13 billion francs in unrealized capital gains last year on top of a shareholders' equity worth 26

The question is how much longer such heavy, exposure to securities markets will go on yielding fat profits. With disinflation ending the boom on local stock and futures markets, hun-

dreds of banks are already feeling the squeeze. "Our experience is quite significant," said Mr. Moulard of the Lyonnaise de Banque. Sixty percent of our management efforts are now geared toward market risks instead of credit risks." And he reckoned that nearly 30 percent of his staff needs to be retrained.

Throughout the industry, the recycling figure may be much higher and could involve over 150,000 people recruited in the 1970s, mostly as tellers. Although each bank spends on average 3 percent to 4 percent of its payroll on training programs, only 40 percent of new recruits last year had university degrees in banking, against 100 percent in Japan and 80 percent in Sweden.

ROBERT POULIOT, head of Capital Intelligence, a bank rating group based in Geneva and operating in Europe, the Middle East and Asia, writes on international banking.

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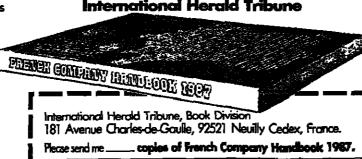
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Chirac Government Pushes Privatization ** Continued from page 7

came up with industrial companies rather than another bank," he

Another criticism is that Mr. Balladur, anxious to free capital to carry out other policies and obtain results well before next April's presidential election, in which Mr. Chirac is expected to run, has privatized too much, too quickly for a Bourse that has never rated among the world's leading stock markets.
At times, analysts say, the extra stock flotations have played a part in an overall stagnation of French

In the spring, when prices slumped heavily on the Bourse, "there was a lot of money in play," one banker said. "Five companies were being privatized at the same

time and this took a lot of money out of the market. People were not interested in the normal stocks."

The government's aim, apart from restoring to the private sector companies what its Socialist predecessor had nationalized after taking power in 1981, is to invest the money in other sectors to boost the economy and reduce un-Since the summer vacations

ended, the government has announced reductions in value-added tax on records, cassettes and automobiles and a 3 percent cut in income tax next year. Although such measures have an obvious political motive in a

pre-election period, they were wel-comed in the industries con-One flaw in the early privatizations was an absence of measures

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ALL THE MAJOR BRANDS

19-10-87

to ensure that investors would re-ceive manageable numbers of

To protect the small investor, all requests for stock were satisfied, meaning that Paribas, for example, issued four shares to each investor whereas the Banque des Travaux Publics issued only one. In the case of BTP, the original share price of 130 francs (\$22) has

only increased by 10 percent, meaning that, if stockholders sell, the gain is lost in bank commis-The privatized companies face the prospect of huge expenses as they send company results to each

and every investor. For the banks or brokers who hold the shares, it has meant that they are in charge of portfolios whose shares can literally be counted on the fingers of one

To deal with this problem, the banks have proposed setting up SICAVs, or mutual funds, to group all the privatized stock and give small investors their proportion of the new funds.

However, Mr. Balladur has said that after this month's privatization of the Compagnie Financière de Suez, the government would draw up legislation to establish "family accounts" that would group all shares held by members of one family, thus leaving the original stocks in investors' hands and preserving the new class of small investor that he hopes is here

The most damaging controversy surrounding privatization has Mr. Balladur himself as its target. In planning the denationaliza-

tions, the government provided for the creation of the hard cores of institutional investors who undertake to buy and hold a certain period to protect the companies involved from stock market raid-

In most cases, around 20 percent of a company's capital has been sold to such investors. For Suez, it was 30 percent.

Last month, the Socialist Party published a "black book" accus-

ing the government of favoring its

cronies in big business when dis-

tributing such stock, a practice that former Culture Minister Jack Lang dubbed "chiraquisation." Press reports have said that such privileged treatment has been meted out to the Lyonnaise des Eaux, whose chief executive is Jérôme Monod, a former secretary-general al of Mr. Chirac's Gaullist Rally for the Republic. Other names have included an associate of Mr.

godfather of one of Mr. Chirac's daughters. Several bankers say they also perceive favoritism in the way shares were distributed to the big investors. "Lyonnaise des Eaux does seem to be a little overpre-sent," one said.

Balladur's brother-in-law and the

In addition, supporters of for-mer Prime Minister Raymond Barre, who is almost certain to be the Union for French Democracy's presidential candidate, have alleged that state-owned companies headed by Mr. Barre's sympathizers have often been passed

over for privatization in favor of firms headed by known Gaullists.

Mr. Balladur, who has promised to reply in detail to the charges, has dismissed the issue as a pointhas dismissed the issue as a poli cal maneuver to discredit his policies ahead of the election.

JULIAN NUNDY is on the staff of

Sluggish Bourse Hopes for Better Days

We're in a period of slow growth and we will remain there for a long time.'

By Jacques Neher

ARIS - Although the stock market index may not show it, 1987 is shaping up as an interesting year for the Paris Bourse.

A wave of privatizations, much improved corporate earnings, lower inflation, recent innovations such as futures and options trading, and the promise of legislation that will break the trading monopoly held by 45 Paris brokers is breathing new life into France's equity mar-

kets, market observers say.
"I am convinced that the Paris Bourse has very beautiful days ahead of it," Jean-Claude Trichet, director of the French Treasury, told the French magazine Le Point recently. Despite this outlook, the stock market itself has had a bumpy 1987, particularly when seen against the markets in London, Tokyo and on



Edouard Balladur.

Wall Street over the first three quarters. The CAC general index, which soared 48.5 percent in 1986 — and 340 percent since 1983 — this

year has gone mostly sideways.
The CAC finished September at 410, up only
3 percent from the start of 1987. In the same period, London's FT Ordinary index rose 41 percent; Tokyo's Nikkei index increased 38 percent; and New York's Dow-Jones index climbed 36 percent.

Since then, rising interest rates in the United States and the sudden plunge on Wall Street over the past two weeks has taken a further toll in Paris. By last Friday's close, the CAC registered 369.6 — about 7 percent below the start

Market observers blame the relatively large decline at the Paris Bourse on higher real interest rates and skepticism over the French economy. Though economists a year ago were projecting economic growth in 1987 of 2.5 percent or more, most have now downgraded those estimates to less than 1.5 percent. The outlook for 1988 is not much better.

"We're in a period of slow growth and we will remain there for a long time," predicted Gabriel François, senior vice president and chief economist of Banque Nationale de Paris. Another explanation for the index's decline.

one broker said, is that "the privatization issues have diverted money that might otherwise have gone into the other major stocks that

Indeed, the first 11 privatizations by the government since last December have si-phoned 63.3 billion francs from the market, with 36.9 billion francs of that figure coming from French individuals and institutions, and the rest from foreign institutions, according to a study by London broker, James Capel & Co.
The privatizations, which have raised 51.6

billion francs for the government, have drawn an estimated 4 million individual investors into the French stock market for the first time, bringing total individual stock holders to some The privatization issues as a group had appreciated by about 20 percent through September, according to the study, but by the end of last week most of those gains had been wiped out. Nevertheless, the first company privatized, the glass and insulation group Saint-Gobain, was still up 58 percent over its initial offering price.

Looking ahead to 1988, a new round of privatizations, plus projections for robust corporate earnings, may provide a fresh surge of energy at the Bourse, observers say.

The minister of finance, economics and pri-vatization. Edouard Balladur, said recently that the government expects to float at least 100 billion francs in additional state-owned stock over the next six months. Among the privatization issues, Mr. Balladur said, will be the giant insurance groups UAP and AGF.

market jitters next spring, "but after that we could see one hell of a rally," said a London broker, noting that significant earnings improvements by French companies have not been reflected by increases in stock prices. At the end of September, the price-earnings

Presidential elections next May could cause

ratio for the top 30 companies on the Bourse was around 14, but prices were only 12 times 1988 projected earnings and 10 times 1989 projections, according to the James Capel

over the Second Marché, a secondary market established in 1983 for smaller and mediumsized companies. Investors seeking new issues this fall have a wide choice — everything from little-known software developers like Société

Privatized Companies: How Their Stocks Have Fared

(in French francs per share)

Stock	Launching Price	High 1987	Closing Oct. 16
8.T.P.	130	177	136.50
B.I.M.P.	155	200	190
C.C.F.	107	153	116.50
C.G.E.	290	347.10	300.20
Havas	500	550	520
Paribas	405	524	407
St. Gobain	310	524	502
Société Générale	407	437	412.10
Sogenal	125	174.50	130
TF 1	165	210	192

Concept to world-renown perfume and highfashion house Yves St. Laurent.

"I expect perhaps 50 new admissions on the Second Marché in Paris and the provinces in the last quarter." said Florence Hernandez, an official in the new-issues office of the Paris Bourse. That would bring to around 275 the number of companies quoted on the Second Marché, including issues traded on the smaller regional French markets in Bordeaux. Lille. Lyon, Marseille, Nancy and Nantes.

At the start of 1986 the Second Marche comprised 127 stocks with a combined capitalization of 58.5 billion francs. As of July 30, the market held 216 stocks with a combined capitalization of 148 billion francs - 10 percent of the total equity capital on the Paris Bourse. Meanwhile, institutions have taken a liking to the MATIF futures market. Contract purchases on the 19-month-old MATIF have hit

And though delayed three months by technical difficulties, trading on three stock options got off the ground this fall and market observ-ers see it taking off in the year ahead.

record levels, often surpassing London's fu-

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International Herald Tribine's financial pages.

Plan. But, with political wornes likely to in-crease as the presidential election approaches.

the French authorities may wish they had re-

tained some of the exchange restrictions al-

ready phased out if the franc is subjected to

Mr. Balladur introduced a package of liber-

alizing measures in May, which means that

French companies (but not citizens) are now

allowed to open foreign currency accounts in

France or abroad and to borrow freely in

foreign currency or French francs. However,

the package stopped short of relaxing the pro-

hibition on French banks' franc lending over-

seas and on individuals opening foreign cur-

rency accounts. The government felt that the

franc would be exposed to speculative pressure

The problem for Mr. Chirac's government is

that, under the Delors Plan for the free move-

ment of capital within the EC, the removal of

these two remaining principal exchange con-trols must be achieved by the end of this year.

If the authorities comply with that timeta-ble, the franc will probably come under pres-

if those two main restrictions were related.

speculative pressure.

Vulnerable Franc Fears the Exchange Fallout of a Tottering Dollar

By Ken Ferris

ONDON - The French franc's position at the top of the European Monetary System (EMS) has enabled Prime Minister Jacques Chirac's government to press ahead with its program to liberalize all exchange controls by 1992. But the gradual removal of the franc's protective shield has left the currency open to speculative attack and is likely to result in increased intervention and more volatile interest rates should Paris need to defend it against

The likelihood of a franc adjustment against its European Currency Unit (ECU) central rate is limited, given the approach of the presidential election next May. Nevertheless, the prospect of a further decline in the dollar raises the specter of a flight of capital into the Deutsche mark and a buildup of pressure for a general EMS realignment. That would proba-bly include a 3 percent to 4 percent inward adjustment of the mark versus the ECU and an effective devaluation of the franc against the German currency.

The French unit needs to be realigned vis-à-

vis the mark to compensate for the inflation

differential between the two countries since the last EMS reshuffle on Jan. 12 this year.

On that occasion, a dispute between Paris and Bonn over who should take responsibility for pressures on the weaker EMS currencies resulted in a 3 percent revaluation of the mark and Dutch guilder and a 2 percent upgrading of the Belgian/Luxembourg franc. The French franc, along with the other currencies in the Exchange Rate Mechanism (ERM), remained

unchanged against their ECU central rates.

January's EMS realignment was the 11th since the ERM replaced the "snake" in 1979 and the first since the general reordering of parities in April 1986. It was immediately followed by speculation that there would be another adjustment within six months.

However, the success of February's Louvre accord, which was signed by the Group of Six major industrial countries — the United States. West Germany, Japan, Britain, France and Canada — in stabilizing the dollar has taken the pressure off fundamentally weak EMS currencies and enabled them to remain within their ECU divergence limits.

Indeed, despite intervention by the Bank of France to slow the mark's appreciation in mid-September, the strength of the French currency in the EMS has allowed Paris to slow the rise in

French interest rates in response to the recent tightening in German monetary policy. While the six-month mark Euro-deposit rate has risen three-quarters of a percentage point to 5 percent since early September, the six-month French franc Euro-deposit rate has edged up only a quarter of a percentage point to 9

The question that now looms large for the franc is how much longer central banks can hold the dollar steady in the face of the huge trade and budget imbalances in the United States and the comparable trade surpluses in West Germany and Japan. If the dollar does start to slide (the International Monetary Fund warns that a 15 percent to 20 percent decline may be needed), high interest rate EMS currencies, including the French franc, will face overwhelming selling pressure from speculators in anticipation of a realignment of the EMS.

In presenting his draft budget on Sept. 16, the French minister of finance, economy and privatization, Edouard Balladur, said inflation would be only 2 percentage points higher than in West Germany by the end of this year, and he targeted a differential of only I percentage point by the end of 1988.

However, the actual inflation rate (3.5 percent in August year-on-year) is currently running a full 1 percentage point above official forecasts, and many analysts believe the target of 2.5 percent by the end of next year is

The continued erosion of French competitiveness is reflected in a deterioration in this year's balance of payments. The trade account is set to return to deficit this year after balancing in 1986: The 23.8 billion franc (53.96 billion) January-August trade shortfall contrasts sharply with the 900 million franc deficit in the same period of 1986. The national statistics institute, INSEE, expects a 20 billion franc full-year deficit compared to initial govern-ment hopes of a 1 billion franc surplus.

The problems faced by France in competing against its main European trading partners have encouraged the government to pursue a supply-side fiscal policy that involves cuts in corporate and income taxes and the budget deficit. September's budget provides for a 2 percentage point cut in corporate taxes to 43 percent and reductions in indirect taxes on business, while personal income tax is to be cut by 3 percent in most brackets.

The package is worth 31.8 billion francs, though the personal tax savings are to be reduced by the introduction of a series of levies to help cover the 33.6 billion franc social secu-

Despite the range of tax reductions, the budget deficit is still expected to fall to 115 billion francs (2.1 percent of gross domestic product) in the 1988 fiscal year from this year's 129 billion francs due to buoyant tax receipts and proceeds from the accelerated privatization program.

Privatization receipts have already reached 52 billion francs this year, compared to the 30 billion originally forecast, and another 50 billion francs is expected next year. Mr. Balladur has emphasized that France

must continue to pursue its policy of simulta-neously reducing taxes and the budget deficit until 1992, the date set by the European Community for the elimination of all internal trade barriers.

The challenge of competing in a unified

European market means France should cut its budget shortfall by an annual 15 billion francs and further reduce corporate taxes and valueadded tax (VAT) to sharpen the competitive-ness of French companies. Mr. Balladur said. These long-term plans to reinvigorate the

sure on the foreign exchange markets. economy aim to pave the way for further tax and exchange control liberalization ahead of the 1992 deadline under the so-called Delors KEN FERRIS is the editor of Euromoney Trea-



FURTHER PROGRESS

CREDIT LYONNAIS GROUP consolidated interim results for the six months to 30 June 1987

(million FFR)

Half of 1986*	Six months to 30 June 1987	% Growth	
13,219	14,123	+ 6.8	
2,615	3,152	+ 20.5	
4,520	5,197	+ 15.0	
3,105	<i>3,</i> 362	+ 8.3	
910	1,191	+ 30.7**	
	of 1986* 13,219 2,615 4,520 3,105	of 1986 * 30 June 1987 13,219 14,123 2,615 3,152 4,520 5,197 3,105 3,362	

* Comparison with one half of the 1986 full year figures is felt to be the most valid as, for the first time, the results for the six months to 30 June 1987 have been prepared using procedures similar to those employed at the year end. ** Growth in net income, excluding exceptional items, is 16.5 %. The exceptional items consist of capital gains realised on the disposal of certain investments less additional provisions for pensions and general risks and costs incurred in repurchasing high coupon debt.

BALANCE SHEET	30 June 1986	30 June 1987	% Growth
Gross customer loans	347,978	368,906	+ 6.0
Equity (including first half results)	15,803	19,264	+ 21.9
Perpetual subordinated debt	3,500	5,500	+ 57.1
Provisions	24,804	29,677	+ 19.6
- of which country risk provisions	10,580	13,435	+ 27.0
- percentage of country risk coverage	30 <u>.2</u> %	38.4 %	_
Equity + equity equivalent + provisions Gross customer loans	12.68%	14.76%	-

During the first six months of 1987, Credit Lyonnais has continued to make progress in its various fields of activity. In France, it has increased facilities both to individuals (up by 27 %) and to businesses (up by 4.1 %), has achieved a very pleasing increase of 7.7 % in the level of French franc dient deposits (excluding certificates of deposit), and has seen further expansion of its activities in the financial markets. Net commissions have increased by 18.3 %. At the same time, the contribution to operating income of the overseas network has increased strongly, with a contrast between branch offices, whose results as a whole are down, and the major subsidiaries having the advantage of a substantial presence in their country of operation, which have in general shown strong growth in

The first half of 1987 has also been notable for the various steps taken by Credit Lyonnais to reinforce its presence in the financial centres of London, New York, Tokyo and Frankfurt.



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POUVOIR

tics despite the strains of rapid popula-tion growth. The other is to provide an

expanding market for sophisticated exports from industrialized nations.

There is a special dimension to the

present problem. The United States

rapidly expanding market than West-

ern Europe and Japan for exports

from developing countries. Virtually

all the major exporting nations in

those regions have geared their cur-

Japanese and Europeans, they have

not felt the effects of the devaluation

But the U.S. trade deficit cannot be

W ASHINGTON — For Ron-ald Reagan, the twilight days of an extraordinary presidency ap-proach. He retains, of course, the immense war and peace powers granted to any American president.

Daily events in the Gulf demon-strate how great those powers re-main. He continues to be influential

in world affairs. A chance to

achieve a significant arms control agreement with the Soviet Union

exists. But in other areas his politi-

Nothing more dramatically un-derscores this than Mr. Reagan's

role in the increasingly destructive effort to win confirmation for Rob-

Future scholars of the Reagan presidency looking for a symbol of

how the tide ran out on the Reagan

era may point to last week, when

the three major television networks, ABC, CBS and NBC, refused to

broadcast a Reagan speech in

which he attempted to rally public

support for his nominee by strongly attacking critics of Judge Bork.

Here was the Great Communica-

tor, the quintessential television

president whose performances over the years enabled him to win battle

after battle by carrying his case di-

rectly to the public effectively struck mute in one of his most im-

portant political struggles. The net-

works had deemed his message un-

Even had his speech been broad-

cast, there is no reason to believe it.

would have made the slightest dif-

ference. The public seems to have

Congress increasingly treats him as

worthy of live coverage.

ert Bork to the Supreme Court.

cal powers are waning.

sustained indefinitely, so developing

of the dollar from its 1985 peak.

Don't Panic, but Act Now

irreparable, the long fall of the stock market last week changes the atmosphere in which people deal with money. There is now a sense of vulnerability and fragility that did not exist before last Wednesday. It happened for reasons related to the twin deficits — the U.S. budget deficit and foreign trade deficit - and the fear that, because of them, interest rates will go higher. Nothing dramatic had incited that fear. It was a slow accumulation of small warnings over many months until, as often happens in speculative markets, one final piece of bad news. the figures for one month's trade deficit, suddenly reversed a consensus.

Comparisons with 1929 are inevitable. But remember that the market, from the high point Aug. 25 until now, has dropped less than half as far as it did from September to November 58 years ago. Much more important, keep in mind the fundamental differences in circumstances. A severe recession had started in August 1929. Although the crash undoubtedly aggravated the recession, industrial production and incomes had been falling rapidly for two months before the stock market responded.

But the biggest difference is that since then the American financial system has been substantially panic-proofed. The wildfire panics that were a regular part of economic life in America from the Civil War to the Depression have not recurred since then. Government policy cannot stop a slide in stock

While it is not a disaster and it is not prices. But it can prevent the slide from generating other kinds of damage such as sudden credit droughts and bank failures. The United States has absorbed the lessons of the Depression, and whatever happens next, it will not be the kind of contagious fear and misconceived public policy that

led to the misery of the 1930s. While America has now got itself into real economic trouble, it is a very different case from 1929. There is no recession. To the contrary, prosperity is running a bit too high and Americans are running up ominously large debts. The creditors, mainly European and Japanese, are becoming reluctant to keep lending. That is why interest rates are rising. The stock market is serving as an early warning system, picking up signs of stress that most of Washington has not felt yet.

There is one thing that the White House and Congress must do, and quickly. They must settle their quarrel over this year's budget and demonstrate to America's skeptical creditors abroad that they will keep shrinking the deficit. There will not be another crash à la 1929. But if interest rates keep rising because foreigners have decided to stop lending, the United States is in for some harsh lessons on living within its means. A drop in the stock market would be only the beginning. The question is not whether Americans are smart enough to avoid the dangers of 1929, but whether they can foresee the very different dangers of 1989.

- THE WASHINGTON POST.

Yes to a Golden Basket

er, set pulses racing at the recent World Bank meetings by suggesting that international financial policies be guided in part by the price of a "basket" of commodities, including gold. It is not a bad idea.

Talking up gold may sound like a way to score political points among conservatives for George Bush, Mr. Baker's friend and favorite presidential candidate. But Mr. Baker's purpose is surely larger and the problems he addresses are deeper. There can be no magic formula for coordinating policies to stabilize prices and exchange rates. But Mr. Baker's proposed commodity inflation indicator could prove useful.

Under the gold standard that evolved in the 19th century, each participating na-tion's supply of money was backed by gold. When one country bought more goods abroad than it sold, gold would flow out in payment. The resulting squeeze on the domestic money supply would automatically correct the tendency toward profligacy.

And since the world's total amount of gold. — and thus money — was limited, a gold standard provided an automatic check against inflation. Indeed. America's return to a precious metal standard after the Civil War precipitated a long, slow decline in prices.

A true gold standard would not be practical today. Gold may offer the illusion of stability but the amount available to back currencies could change rapidly. No government would make its money supply dependent on the two leading gold producers,

The U.S. Treasury secretary, James Bak- South Africa and the Soviet Union. And even if some governments were willing there is probably no longer any way to link the supply of money to the amount of precious metal held in vaults. Businesses

would create private substitutes. The Baker option is far more modest. Basing the standard on a basket of many commodities would eliminate the problem of dependence on a single, arbitrarily designated commodity. No country, moreover, would be asked to increase or decrease its money supply automatically to maintain the buying power of its currency. Mean-while, a broad international commodity price index might usefully signal the right direction for domestic monetary and fiscal policies — and offer an objective standard

for international comparison.

The West Germans worry about inflation more than anyone. This fear keeps them from boosting economic growth now, when U.S. growth is slow and likely to get slower. Bonn argues that any inflation rate above 2 percent is unacceptable to German voters. But it might be more inclined to respond if the international commodity price index, measured in Deutsche marks, were falling.

It is difficult to construct a workable mix of commodities. But a highly visible index could at least serve as a talking point in ongoing negotiations over international policy coordination. Even small steps toward the recognition of economic in-

terdependence would be welcome. - THE NEW YORK TIMES.

Air Delays: Stop Meddling

What began in the House of Representatives as a sensible response to outrage over air travel delays has turned into meddling. Air travelers as well as airlines ought to

hope for greater wisdom from the Senate. The bill started as a commendable effort to make U.S. airlines disclose on-time records, numbers of complaints about lost baggage and other data to guide consumer choice. But members of the House, sensing rising popular anger over air service, began heaping on less meritorious provisions.

Some of these provisions were eliminated before the House finally passed the bill, but others made it through. These include, for example, setting capacity levels at the biggest airports, thus limiting departures and arrivals, and forcing airlines to give free tickets to passengers when their baggage is not delivered within certain time limits. Those are costly and clumsy intrusions.

Airport capacity varies with the time of day and could be better managed by manipulating fees for landing rights.

More to the point, airports can be expanded to meet increased traffic, and Congress is partly responsible for the failure to expand. Rather than set limits on airport use, the lawmakers could raise the user fees that feed the Aviation Trust Fund so that the aviation infrastructure can be expanded to pay for itself. Congress also might move the trust fund off the budget and exempt it from cuts

under the Gramm-Rudman-Hollings law. The House bill may be a response to a problem that is already abating. The Federal Aviation Administration recently reported that delays in the July-September period were down 24 percent compared with the comparable 1986 period. All the more reason for Congress to resist the impulse to meddle. - THE NEW YORK TIMES.

Other Comment

That They Too Might Be Free

As the Western democracies have withdrawn from empire, the Communist powers have created new empires, turning independent peoples into colonial satellites. Two current events illustrate this change in roles. [Last week] the leaders of the countries that used to be colonies in the largest empire the world has ever seen gathered in Vancouver to berate the prime minister of the former imperial power for defying their wish to impose sanctions against South Africa. Thousands of miles away the Chinese government was reinforcing its military garrison in Tibet so that it would be in a stronger position to put down demonstrations by its colonial subjects. Western neocolonialism at its worst is nothing compared with the brutal occupation of today's Communist colonialism. Nor is there any sign that their empires will speedily go the way of the old colonialists'. The British French, Dutch and other empires were disbanded because it became impossible to confer democratic rights at home while denying them abroad. That is not a problem for China or the Soviet Union. The sort of liberalizing steps being taken on the home front by Moscow and Beijing will only encourage their colonies to dream that one day they too might be free. The history of the first part of the next century will be largely the history of their struggles.

The Sunday Times (London).

The War Powers Threshold

The president and his advisers may gnash their teeth to admit it, but their mission in the Gulf surely has crossed the threshold set forth by the War Powers Act. The administration's protectiveness toward its policymaking prerogatives is understandable. But it] should sincerely seek out the lawmakers' best counsel and cooperation. It has a case worth making in the Gulf, one that could be improved and refined in that dialogue.

- The Atlanta Constitution.

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OPINION

Together, We Can Avoid the Economic Abyss

By W.W. Rostow

A USTIN, Texas — Just as the mis-handling of the reparations and war debt problems between the two world wars helped bring on and then deepen the Great Depression, the leaders of the economic powers today are misjudging the scale of interna-tional trade and debt imbalances.

The consequences of the earlier mistakes helped bring to power the Japa-nese military and Hitler. Before equally disastrous political and economic events result from the mishandling of today's crises, the economic powers should find a way to restructure inter-

national capital transfers.

After World War I, Germany had to transfer large sums in reparations to the European victors. Britain and France acquired a similar responsibility as a result of wartime borrowing from the United States. But Western Europe, given its economic policies and structure, could not absorb sufficient German exports to allow Germany to repay the debt. Nor was America capable of absorbing sufficient allied exports to liquidate the war loans.

In the short run, capital movements, not trade, did the work. Private lending from America to Germany provided the foreign exchange necessary for Germany to pay its reparations bill, which had been reduced by international agreement. And the foreign exchange paid out by Germany permit-ted the Western allies to meet their

war-debt repayment schedules.
This curious triangular system began to come unstuck in the second half of 1928 as U.S. capital was dihalf of 1928 as U.S. capital was diverted from Germany to the New York stock market. Partly as a consequence, the German downturn began as early as April 1929. The American economy followed in June, Britain's in July, all before the October stock market collapse. The French economy, better insulated, experienced its turning point in March 1930.

The Smoot-Hawley tariff of 1930 compounded the felony by crippling trade and making the further transfer of war-debt repayments virtually im-

of war-debt repayments virtually im-possible. And the world economy spiraled into deep depression.

With hindsight, one can argue rea-

sonably that this outcome could have been avoided if certain measures had been taken in, say, early 1930. If reparations and war debts had

been reduced, stretched out or can-celed by international agreement.

• If the United States, Britain, France and Germany had agreed to conduct strongly expansionary fiscal and monetary policies.

• If the United States, with an ex-

ceedingly strong gold and foreign ex-change position, had moved toward radically liberalized trade rather than

All this would have required intensified international cooperation, and that, of course, did not happen. Memories of this debacle helped

shape the Lend-Lease programs, reparations policy after World War II, the creation of the Bretton Woods institutions, and, in the face of another great economic crisis, the Marshall Plan and aid to Japan's postwar recovery.

It is about time that major eco-nomic powers began thinking of solu-tions to the current world debt and trade crises in such broad terms. Right now, mainly because of its policies since 1981, the United States cannot transfer through exports what

it purchases in imports. As with Germany before 1928, the U.S. trade gap is covered by large capital imports that rapidly increase American obligations to pay interest and profits to foreign countries in the future. Like the United States between the wars, Japan complicates the problem

by being inhospitable to manufactured and agricultural imports, as well as by its obsessive drive to maximize exports and foreign capital holdings. West Germany, with an unemployment rate of about 9 percent and inflation at about 1.5 percent, refuses to expand its economy - pre-sumably out of fear of inflation.

Important countries of the developing world (notably in Latin America) are acting a bit like the Western allies of the pre-1928 period. In a world economy that is growing slowly and is increasingly resistant to their exports, the developing countries labor to meet transfer ob-

ligations arising from prior loans. countries cannot count on earning Write-downs, rollovers, additional government and some private lending large dollar surpluses to pull them out of their trade problems. This have helped. But they have not been enough to permit developing countries to fulfill their two essential functions must be taken into account in designing a civilized exit from the present trade and capital transfer problem. in the world economy. One is to Here are the essential components achieve the economic growth needed of an international policy that would to bring social progress and to meet citizens' demands for democratic poli-

 Concerted measures should be taken to ease substantially the debt burden of the developing regions. Steps are necessary to increase the rate of growth in countries with

chronic surpluses, notably Japan and West Germany, accompanied by a reduction of barriers to imports. is now a relatively more open and Through bipartisan cooperation, the United States must balance the federal budget. This will permit lower interest rates. And it must accelerate the application of new technologies rencies to the dollar. Thus, unlike the and maintain wage restraint in the

face of inflationary pressures likely to arise from the dollar's devaluation.

• Increased government and private lending to developing regions, including a larger role for the World

Still Life of a Great Communicator

By Haynes Johnson

irrelevant. Even many Republican right-wingers have distanced them-

selves from him of late. Predictably,

they have fallen to fighting among themselves — and to attacking Mr. Reagan for what many of them

gan's growing isolation. It was La-bor Secretary William Brock's quiet departure from the cabinet. Mr.

the still highly visible and forceful

defense secretary. Caspar Weinber-

ger, and the still nearly invisible housing secretary, Samuel Pierce. The same dramatic turnover has

occurred among the president's se-

nuclear arsenals. In their meetings

last month, Mr. Shultz and Mr. She-vardnadze once again reaffirmed

their commitment to 50 percent cuts

in strategic weapons, which President Reagan has made his highest priority

and General Secretary Mikhail Gor-bachev has described as the "root

Despite this reaffirmation, the So-

viets continue to link a prospective

to an agreement by the United States to choke off its research into how to

defend against ballistic missile at-

tack. This linkage is unwarranted. Since both sides would gain from a

reduction in strategic weapons, there is really no reason to hold such an

agreement hostage to severe limits on

the U.S. search for strategic defenses.

American negotiators do not have a clear view of the Soviet proposal on

defensive systems. Mr. Shevardnadze

has proposed alternatives, but the

United States cannot accept any that

would restrict it to a Strategic De-

fense Initiative program on Soviet terms, nor one that would subject

U.S. research to limits more stringent than those contained in the anti-bal-

listic missile treaty of 1972, which

It must be made clear to the Sovi-

ets that the United States will not

negotiate crippling limitations on its

research into ballistic missile de-fenses in exchange for an agreement

to reduce long-range weapons. America approaches the next critical epi-

does not even mention "research."

problem" of arms control.

accord on strategic arms re-

NOT YET,

NOT YET!

FORMER PRESIDENT

Bank and regional development banks, is needed. As America reduces its trade deficit and real interest rates are brought down, the resulting capi-tal inflow to the United States should be diverted to developing regions.

The major economic powers have made progress in some of these areas, and so far they have kept under control the raw, sometimes vicious nationalistic impulses that helped push have a reasonable chance of success: the world into the abyss in 1929 and thereafter. Memory of those years may again help us in the time ahead. But the actions by Japan, West Germany, the United States and other countries fail to match the scale

and urgency of the problem. The world's leaders risk earning them-selves the characterization that Theo-dore Roosevelt made of the German chancellor's behavior in 1914: "He meant well feebly." Today, the conse-quences could be equally costly.

The writer, national security adviser to President Lyndon Johnson, is a professor of economics and history at the University of Texas at Austin. He contributed this to The New York Times.

nior White House staff. His original

team included the "troika" of Ed-

win Meese 3d, James Baker and Michael Deaver. All are now gone from the White House, as are many

other members of that first staff, people like the political adviser Lyu Notziger and the national security

the Reagan years — the ethical impropriety affecting many who held high positions during his two terms.

Mr. Reagan stands virtually

now, the next president will be

elected. Then Mr. Reagan, too, will be gone. All that will be left is the reckoning on his presidency, and a

complicated one it will be.

Why Tehran [©] Risked a Bloody Nose

By Jim Hoagland

PARIS — The Iranian missile attack on a reflagged Kuwaiti tanker forces the Reagan administration to define its military commitment in the Gulf with a precision that Washington wanted to avoid. To smoke out the United States, the ayatollahs have chosen the road of escalation and the risk of a bloody nose inflicted

in an American retaliation. Why is Iran taking this route now. after reacting in low key to U.S. attacks on Iranian gunboats earlier this month? And why do the avatollahs figure that American retaliation is an acceptable price to pay for the privilege of shooting up Kuwaiti shipping.

The answers are unknowable for now, but the Iranian actions are plainly is neither accidental nor irrational. Both international and domestic political factors make the escalation route logical, and sustainable, for them.

The greatest Iranian frustration has been an inability to play the two
"Great Satans" against each other as
the Soviet Union and the United States move toward a summit meeting. Since its diplomacy has failed to divide Washington and Moscow. Tehran appears to be gambling on open military conflict to do that and perhaps bring Iran Soviet support. in recent months, the Soviets have placated Tehran by making the right piacated Tenran by making the right noises about joint economic projects during an exchange of visits. But they have not provided any real relief for Iran from the diplomatic campaign for a United Nations arms embargo against Iran and the escalating air war carried out by Iraq's Soviet- and French-supplied warplanes.

Playing for time as it prepares for the renewed land offensive it plans against Iraq. Iran countered the U.S. drive in the Security Council for arms embargo by giving indications for the first time this summer that it would consider a cease-fire.

The Soviets used this in successfully arguing for a delay in the arms embargo vote. But Moscow was careful to portray its move as part of a continuing cooperative effort with Washington inside the United Nations. The summit track continued to be the important one.

The missile attack Friday on one of the 11 Kuwaiti ships that now fly American flags occurred as Secretary of State George Shultz arrived in the Middle East on his way to Moscow for the final summit planning session. In-discriminate American attacks on Iran now would put Moscow in a squeeze and could affect the summit. Escalation also brings pressure on the five West European countries that have sent military ships to the Gulf area.

speculative gains be worth the humiliation and pain that an America; retaliation would bring the nation. Because of the culture of martyrdom and the politics of turning persecu-tion into strength that prevail in Iran today, they almost certainly would. Consider the case of Hojatoleslam

tages and arms. That operation blew up in their faces last November. Six months later Mr. Rafsanjani's opening to France met the same fate. Then in July his attempts to work out a modus vivendi with Saudi Arabia collapsed in the Iranian-provoked bloodshed in Mecca. In any other country, Mr. Rafsanjani's political obituary would already be written. But in Iran, the strongest political leader today is Mr. Rafsanjani him-

Mr. Rafsanjani is taking credit for being able to use the American military presence in the Gulf to bring 200,000 to 300,000 recruits into the Iranian Army at a time when morale had been sagging. He and his faction might actually welcome American raids as an opportunity to hurnish their radical credentials and once again show that the country has to

different, in this one aspect the Iranians resemble another dangerous adversary in America's recent past - the North Vietnamese, who also were able to transform punishment into unity and whose leaders used the image of themselves as the weak persecuted by the strong to their advantage. The United States has to shape its response to Friday's missile attack with such long-term dangers clearly in view.

The Washington Post.

WASHINGTON — As Secretary of State George Shultz and his Soviet counterpart, Eduard Shevardnadze, prepare to meet this week, it is appropriate to take stock of what has been achieved in the arms control

The two sides are close to agreement on intermediate-range nuclear forces, which for the first time would not simply limit but eliminate an entire class of nuclear weapons. The final

cal and diplomatic accomplishment. But Americans must not let the tantalizing proximity of an accord blind them to the need to be tough-minded and realistic in three areas: making sure that sound verification proposals are built into any accord, renewing efforts to redress the imbalance in conventional forces, and pressing ahead toward President Reagan's goal of a major reduction in long-range strategic nuclear weapons.

quickly with the remaining details of an INF treaty, particularly provisions of verification, in hopes that the U.S. side will compromise its standards to keep the "process" moving. The Soviets cannot be permitted to entertain any notion that vital verification

requirements can be ignored.

The Soviets, of course, are only willing to cut a deal on INF now because America and its allies have The Time for Confrontation Is Over

E VEN with his Iran-contra baggage and the Senate in Democratic hands, President Reagan is far from being the traditional lame duck. He has shown his clout in foreign affairs, pursuing an aggressive policy in the Gulf and seeking an arms control accord with Moscow. Recently he struck a useful compromise on military aid for Saudi Arabia, a vital ally. Some think he can even strike a bargain on the contras if he will settle for sending them nonmilitary supplies. He can certainly influence domestic legislation, notably on health insurance and the trade bill, if he is willing to

view as his too-little, too-late, too-lems of Mr. Deaver and Mr. Nof-tepid handling of the Bork defense. Ziger, whose criminal trials ap-Another incident last week con-in proach, convey another symbol for tributed to the sense of Mr. Reading the Reagan years—the selection of the sense of Mr. Reading the Reagan years.

Brock, who initially served as the alone today. The inexorable politi-president's first trade representa- cal countdown has begun. In nine

tive, is one of the 17 original members of the Reagan cabinet.

Now only two of those are left:

nonths, the political parties begin nominating their next presidential candidates. Twelve months from

dirty his hands in the hard work of negotiating compromises. Mr. Reagan is neither the irrelevant president his opponents would like him to be nor the revered leader who six years ago pushed congressmen into accepting programs they were afraid to oppose. He is in the endgame of his uned out Mr. Reagan, just as the presidency and can prevail only if he accepts his limitations.

- Lou Cannon in The Washington Post.

Arms Control: It's Much Too Soon to Rest on Our Oars

efforts and what remains ahead.

The dangers now are Soviet pressure — and euphoria in the West.

agreement will be a significant politia skeptical world of a change in Soviet strategic objectives than substantial

The Soviets may exert enormous pressure to get America to dispense

Editor" and contain the writer's signature, name and full address. Letediting. We cannot be responsible for

By Edward L. Rowny

The writer is special adviser to President Reagan on arms control. capabilities. A real opportunity exists to cut deeply into offensive strategic held steadfast to their determination to deploy INF missiles, because

firm stance with regard to third-country forces and because of allied determination not to give in to lastminute Soviet roadblocks. Achievement of an INF agreement now would allow America to concentrate on both ends of the arms control spectrum. Efforts should be redoubled to redress the imbalance in con-

America has maintained a clear and

ventional forces. And gaining substantial reductions in strategic arms remains the highest priority. The conventional imbalance is an important source of military instability between East and West. There is no litary or political reason for the huge buildup of Soviet and Warsaw Pact forces in Central Europe. The Soviets keep promising to reduce this imbalance, although it remains to be seen whether they are serious. No So-viet action would do more to convince

reductions of these huge forces. In the meantime, the North Atlantic Treaty Organization must continue to take steps to invigorate and improve its conventional defensive

· Letters intended for publication should be addressed "Letters to the ters should be brief and are subject to the return of unsolicited manuscripts.

sode with a clear grasp of its fundamental objectives, an experienced understanding of Soviet negotiating practices and a careful appreciation of both risks and opportunities.

The two sides may be able to reach agreements leading to a more stable, less dangerous world. But Americans must stick with the approach that has gotten them this far and not become euphoric or believe they can rest on their oars. The task of reducing the Soviet military threat has just begun.

The New York Times.

1887: A War of Rumors

same time those standing near to the Chancellor, and who for the past six diate entourage of Count Herbert Bismarck, I hear that the chances of a winter campaign and its relations to a possible Franco-Russian alliance

1912: Balkan Hostilities

menced between the Balkan States and Turkey, but it is hardly possible to form any clear idea of the military

situation. A report by the Belgrade newspapers states that the Servians have captured Prishtina, about 30 kilomètres from the frontier. Constantinople telegrams credit the Turks with having repulsed the Bulgarians at Mustapha Pasha and advanced four hours' march into Bulgaria. ROME — The treaty of peace between Italy and Turkey - known as the Treaty of Lausanne - was signed this afternoon [Oct. 18].

1937: He Escaped Titanic LONDON - Joseph Bruce Ismay,

who faced severe criticism for his escape from the Titanic disaster in 1912, died today at the age of 74. At the time the great liner went down. Mr. Ismay was president of the International Mercantile Marine Company, controlling the White Star and other lines. He bore a large share in the criticism, both because of his po-sition with the company and the fact

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Vol

Tol

For the ayatoliahs, would such

the Iranian parliament and the man who arranged for Robert McFarlane to fly to Tehran and talk about hos-

self, now playing the role of persecut-ed radical. His rival, Mehdi Hashemi, who leaked the details of the McFarlane visit to a Lebanese magazine in an effort to discredit Mr. Rafsanjani. was executed three weeks ago.

rally around the ayatollahs. While the situations are completely

100, 75 AND 50 YEARS AGO

BERLIN - The Berlin air is heavy with clashing rumors. All summer the military set predicted a war as an unavoidable certainty. Now the same people say that there will be no Franco-German war for five years. At the months have laughed at the various war scares and assured me they would amount to nothing, are now hinting at war and discussing its possibilities. From persons in the imme-

have recently been thoroughly dis-cussed at the German Foreign Office.

PARIS - Hostilities have com-

that he escaped by leaping into the last lifeboat that left the sinking liner.

C.

Please Broke Fred

 $F_{D_{1},\gamma_{1},\ldots}$

there is little Washington can do to block it, officials acknowledged.

Because of human rights viola-

tions, Moscow does not qualify for

the most-favored-nation tanffs

that the United States applies to

the imports of most other coun-

tries. But analysts said the higher

tariff is unlikely to be much of a

Soviet cars would be liable for 10

In an earlier attempt by Moscow

to sell Lada cars in the United

States, the Environmental Protec-

tion Agency refused to clear the

Automotive analysts said the choice of Volkswagen as the en-

gine-maker was intended to lessen

The choice also underscores fast

ny as their political relationship has

A Volkswagen spokesman in De-troit. Thomas E. McDonald, said

the company had conducted nego-

tiations over the engine plant last year but that these were broken off.

tions had resumed, but he declined

An official at the Soviet Embassy

Disclosure of U.S. anxiety over

the Soviet-Volkswagen negotia-

tions follows reports earlier this

month of another major Soviet

trade initiative that has rankled the

administration and some members

Moscow has offered to launch

communication satellites of such companies as General Motors

Corp. and General Electric Co. at a

time when the U.S. space program

The two companies have asked

is without rockets to send commer-

the U.S. government to drop its ban on launches by Soviet rockets.

ject because of fears that Western

technological secrets could fall into

Soviet hands. But some corporate

officials said they suspect that an-

other consideration is to maintain

See SOVIET. Page 13

monopoly of the National

American officials say they ob-

cial satellites into space.

in Washington also declined to

to provide further details.

comment.

of Congress.

In recent weeks, he said, negotia-

percent duty, against 2 percent for Japanese or West German cars, a

relatively narrow spread.

environmental objections.

car's engine.

Volatility Forces Banks To Be Cautious in Swaps

By CARL GEWIRTZ

tional Herald Tribune

ARIS — The debacle on the Eurobond market is having a significant impact on the arcane business of swaps, where fixed-rate debts are transformed into floating-rate — or vice versa —or into another currency. Now that the bond market is dead and interest rates in all currency sectors are

difting up, arranging swaps has become riskier.

"Any time market volatility increases, the risk involved in running swap positions increases as well," said Martin Levion, who heads the swap desk at the London office of Salomon

What's happening, major players agree, is that the swap market

Once active as swap

counterparties, banks

is reverting to the business practices used when it originated four years ago. Financial institutions are once again acting merely as brokers matching two counterparties

are now acting eager to swap liabilities.
This replaces the most remerely as brokers. cent trend where banks were willing to act as market-mak-

ers. In effect, banks played the role of one counterparty, ware-housing a position on their own books until a customer was found

"We're clearly moving back toward brokering," said Michael Rulle, who heads the swap operation of Shearson Lehman Brothers in New York. This is the result both of the increased volatility in financial markets, which makes it riskier for intermediaries to hold and

hedge a position, and the emerging harmonization of banking regulations that will set standards on how much capital banks must use to back up their positions. Taking a position in an interest-rate swap, banks expect they will be required to set aside from their capital base an amount

equal to one-half percent of the principal amount of the position. HE RULES expected on currency swaps are more onerous, requiring 5 percent of the principal amount, and activity in

that sector has slowed markedly. Denys Firth, who runs the London swap desk at Morgan Stanley, noted that "the currency swap market has effectively shut down beyond five years. Even up to five years" maturity, he added, "the bid-offered rates have widened," crasing the gains

the swap was intended to create. The liquidity in the largely U.S. dollar interest-swap market is still substantial, the experts say. The number and the dollar value of transactions remain high, albeit below last year's peaks.

But even in that market, it is increasingly difficult to find counterparties who want to lock in a fixed rate of interest. These days, with rates so volatile, both buyers and sellers of

fixed-rate debt are shifting to money-market instruments.

Buyers do so out of fear that rates will go higher; they do not want to get locked in to long-term instruments. Debt issuers hope that rates will fall and long-term financing will become less

In fact, the latest estimate from the Bank of England is that the volume of Euro-commercial paper now outstanding is about \$50 billion, up from an estimated \$30 billion at the end of last year. Increasingly this apparently is being sold to end-investors rather than bank intermediaries, as trading in Euro-CP is "quite small." said Lionel Price, a Bank official, at a financial markets seminar in Paris last week.

He noted that 95 percent of the Euro-CP facilities announced

this year were arranged without any formal backup credit lines, which are designed to assure investors that the issuer will have the

liquidity to repurchase the short-term debt.

The big news in the CP market last week was Salomon Brothers' decision to withdraw from the business. The bank was a dealer in some 50 Euro-CP programs.

Competitors say that to be profitable, a bank has to have access

to at least 100 programs so that the volume of business is large enough to make up for the paper-thin profits. Salomon's competitors told anyone who would listen that by

walking away from a low-margin business that basically is a service to clients. Salomon risked losing its claim to handle other, more profitable, business. Salomon officials, of course, said that was nonsense.

Before the firm's competitors deride that riposte, however, they might ponder Mr. Price's comment at the Paris seminar. Mr. Price referred to the shakeout in London that has seen

Midland Bank PLC withdraw from equities trading, Lloyds Bank and Chemical Bank from Eurobond trading and Salomon from commercial paper.

He said the financial services industry appears to be following the pattern of the deregulated airlines and telecommunications industries: first attempting to cover the global market and then retreating to more profitable niches.

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Last Week's Markets

All figures are as of clase of trading Friday

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Bank Aide Resigns In Peru

Move Follows State Takeovers

LIMA - Peru's bank superintendent has announced his resignation after the first week of efforts by state administrators to implement a bank nationalization law opposed by owners of private

In a statement published by El Peruano, the official journal, on Saturday, the superintendent, Juan Klingenberger Lomellini, said he was resigning for personal reasons.

But the daily El Comercio, which covers financial news, said Mr. Klingenberger resigned because he disagreed with the way the nationalization measure was being imple-

On Wednesday, police broke into Peru's largest private bank, Banco de Credito, whose directors had tried to resist expropriation. Police officers ushered in a state management team to run the bank.

The police also seized control of the second-largest private bank, Banco Wiese, and a private investment firm, Financería de Credito. The bank superintendent super-

vises all banking and insurance activities in Peru, ensuring that bank operations are within the law. Mr. Klingenberger named the deputy superintendent of banks and insurance, Geraldo Malinco-

vich Costa, to replace him. The government of President Alan Garcia Perez signed into law on Oct. 11 a bill to nationalize 10 private banks and 23 credit and surance companies.

Mr. Garcia announced the take-overs on July 28. He said the move would free capital for loans to the rural needy and break up a monopoly of an economic elite.

On Saturday, a Labor Ministry statement ordered another defiant private bank, Banco Mercantil, to resume normal operations and fined it 100,000 intis (about \$6,300) for declaring a 15-day bank holiday without proper authorization.

Abel Salinas, energy minister and acting head of the government communication service, said the holiday was an illegal "example of rebellion to prevent the bank nationalization law taking effect." tionalization law taking effect."

Builder Blends U.S., French Styles

California Firm's Homes Are a Hit **Around Paris**

By Kurt A. Ruderman International Herald Techune PARIS — Eli Broad, chairman of Kaufman & Broad Inc., the largest single-family home build-er in California, still remembers the day 20 years ago when on a trip to Europe he decided to ex-pand his Los Angeles-based home building operations to

Mr. Broad, an avid art collector who is a connoisseur of French life, realized that the notion of a "village" of one-family homes would be a best-seller on the Continent. Those homes, well-landscaped and surrounder by open spaces, would combine American design and European decor, he decided.

In retrospect, his decision to concentrate his company's ex-pansion in France, after limited investments in Belgium and West Germany, looks more than a little prescient. Since the com-pany set up shop here with a fledgling development, Champ Fleury, in Voisins-le-Breton-neaux southwest of Paris, its French operations have risen to account for more than 33 percent of Kaufman's total revenue of \$675 million and 33 percent of total net income that analysts estimate will exceed \$60 million

this year.
The U.S. parent company, Kaufman & Broad Home Corp., which is traded on the New York Stock Exchange, reached a high for 1987 of \$21 a share and is now trading at around \$11. The French subsidiary, Kaufman & Broad-France, is not traded separaiely on the Paris Bourse.

From its tentative start in 1968, the company has built 21,711 houses in more than 10 communities throughout France. It is now France's third-largest home builder after Bouygues SA. Europe's largest construction company, and Breguet.

"France has always had a growing need for what we call merchant housing." Mr. Broad recalled.

"People have a real desire to own their own homes," he said. "The suburbs of Paris were just starting to develop, along with an infrastructure to support industry. The postwar market for village-type homes was emerg-



'No one can live in Paris anymore. The prices are too high.'

Guy Nafilyan, President of Kaufman & Broad-France

Not that the company's introduction to France was easy. There were investment and zoning laws to overcome, as well as the hurdles of mortgage financ-

Earnings of the management classes have increased, and they, like their counterparts in the United States and elsewhere in the European Community, are moving out of the cities.

Prohibitive prices in Paris are the main cause of this exodus. "No one can live in Paris anymore," said Guy Nafilyan, president of Kaufman & Broad-France, "The prices are too

For a family of four, an apartment of 100 square meters (1,075 square feet) in one of the better arrondissements of Paris costs from 2.5 million to 3 million francs (about \$416,000 to \$500,000).

A single-family home in the attractive western suburbs, often much larger and with a garden, costs about half as much The spiraling cost of city living has boosted the success of Kauf-

man & Broad in France. Moreover, the prêt conventionné, a

government-regulated loan that makes it possible to get up to 90 percent mortgage financing at preferred rates, benefits both the buyer and the building industry. Today, 54 percent of French householders own their dwell-

Kaufman & Broad adapts Cal-ifornia design to French tastes, a formula for success that has kept Kaufman in the forefront of foreign construction companies in

Mr. Broad attributes his immediate success in a competitive market to a transatlantic adaptation of American home buying.

"We arranged financing through banks," Mr. Broad said. "We delivered houses in six months, as opposed to a couple of years. We made buying a

se a one-step operation. Mr. Broad, who also builds homes in Toronto, said American design, such as interiors with cathedral ceilings and built-in appliances, patios and stucco exteriors, were particularly appeal-ing to the French.

Kaufman & Broad's building See HOMES, Page 13

Plan to Export Soviet-VW Cars Assailed in U.S.

By Clyde H. Farnsworth

Union, the West German car company would build a \$1 billion engine plant in Moscow, producing 250,000 to 300,000 1.8 liter engines

2141, a front-wheel-drive hatch-back that the Soviet Union expects to sell in the United States by 1990. The Soviets would finance the plant with export sales.

The move is the latest of a series by the Soviets to do more business with the United States and tap

A Reagan administration official who asked not to be identified objected that the Soviet-Volkswagen transaction was structured in such a way that "the American market ends up financing a German export to the Soviet Union. We get noth-

An official at another department, who also asked not to be identified, said, "The United States doesn't want to finance anyone's exports, certainly not the Ger-

those of Japan.

ton are in conflict over West Germany's refusal to spur domestic consumption and its recent credittightening moves that have contributed to rising U.S. interest rates and disquiet on Wall Street. Although the Volkswagen pro-ject could swell U.S. trade deficits.

New York Times Service

WASHINGTON - A plan by the Soviet Union to export Moskvich cars with Volkswagen engines to the United States is drawing critcism from the Reagan administra-

Under the project, being negotiated by Volkswagen AG and Volga Automotive Works of the Soviet

The engines would power a sperial export model of the Moskvich

improving commercial ties between the Soviet Union and West Germawarmed up.

Western technology.
Professor Joseph S. Berliner of Brandeis University, in Massachu-setts, said that what the Soviet leader. Mikhail S. Gorbachev. "would ideally like to accomplish before he steps down from office a decade or two from now is an economy that produces industrial products of such quality that they could compete with those of any other na-

ing out of it."

West Germany has been running merchandise trade surpluses with the United States second only to

In addition, Bonn and Washing-



All these Bonds having been sold. This

Minolta Camera Co., Ltd.

Osaka, Japan

DM 200,000,000 Zero Coupon Convertible Bonds due 1997

Issue Price: 100%

WESTDEUTSCHE LANDESBANK

BHF-BANK

CSFB-EFFECTENBANK

GOLDMAN SACHS INTERNATIONAL

NOMURA EUROPE GMBH

SANWA INTERNATIONAL LIMITED

UNIVERSAL (U.K.) LIMITED

Banca del Gottardo

Bankers Trust GmbH

Chase Bank

Bank of Tokyo (Deutschland) AG

Banque Paribes Capital Markets GmbH

Cosmo Securities (Europe) Ltd.

Deutsche Girozentrale - Deutsche Kommunalt

Dresdner Bank Aktiengesellschaft

DSL Bank Deutsche Siedlu

TAIYO KOBE INTERNATIONAL LIMITED

COMMERZBANK

DAIWA BANK (CAPITAL MANAGEMENT)

KLEINWORT BENSON LIMITED

MORGAN GUARANTY GMBH MORGAN STANLEY GMBH

SAITAMA FINANCE INTERNATIONAL LIMITED

SCHWEIZERISCHE BANKGESELLSCHAFT

(DEUTSCHLAND) AG S. G. WARBURG SECURITIES

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LTCB International B. Metzier seel. Sohn & Co. Kommandilgeselischaft auf Aktion Mitsubishi Trust International Limited

Mitsui Finance International Limited National Securities of Japan (Europe)

Nippon Kangyo Kakumaru (Europe) Limited

DAIWA EUROPE (DEUTSCHLAND) GMBH

CREDIT LYONNAIS SA & CO

(DEUTSCHLAND) OHG FUJI INTERNATIONAL FINANCE

KOKUSAI EUROPE LIMITED THE NIKKO SECURITIES CO., (DEUTSCHLAND) GMBH

SALOMON BROTHERS AG

TOKA! INTERNATIONAL

YAMAICHI INTERNATIONAL

Sal. Oppenheim jr. & Cie. Schweizerischer Bankverein (Deutschland) AG Sparekassen SDS Talhelyo Europe Limited Takugin international Bank (Europe) S.A. Tokyo Securities Co. (Europe) Ltd. Towa International Limited Toyo Securities Europe Ltd. Vereine- und Westbank

Wako international (Europe) Limited M. M. Warburg-Brinckmann, Wirtz & Co. WestLB International S.A. Yamatane Securities (Europe) Ltd.

2d French Firm Accused **Over High-Tech Exports** Chip-Making Machinery Sent to Soviet

By Steven Greenhouse

New York Times Service PARIS - A French company improperly exported advanced American chip-making equipment to the Soviet Union, U.S. officials to the Soviet Union, U.S. officials memory chip manufacturing plant have said. They said the transaction would improve Soviet military as well as gallium arsenide chips, a

L'Express, the French newsweckly, and confirmed by U.S. officials, who requested anonymity. It was all were uncovered and impounded who requested anonymity. It was carried out by the export arm of one of France's largest banks, So-cieté Générale, and involved the shipment of tons of machinery aimed at giving the Soviet Union technology to make certain high-

speed integrated circuits often used in military applications.

U.S. officials protested that this transfer to the Soviet Union, which occurred from 1983 to 1985, violated rules formulated by the Western governments to limit the transfer of sensitive technologies to the Soviet bloc. "This case provides enough know-how for the Soviets to use for 20 years," said Stephen D. Bryen, deputy undersecretary of defense

for trade and security policy.

This is part of a number of recent cases, involving Japan, Norway and France, in which Western officials believe security has been compromised by the improper transfer of sensitive materials drafted by 16 of sophisticated technologies to the nations who are members of the Soviet Union and Eastern Europe.

Several Western military offi-cials said the latest case pointed to the need for tighter enforcement of technology transfer rules since this was certainly on the Cocom list. was the second improper technology transfer case involving a French company to come to light in two months. This summer, investigators disclosed that Ratier-Forest SA, a Paris-based machinery company, had improperly sold sophisticated machine tools to the Soviet

In the case of the chip-making ing exports to the Soviet bloc, the State Department said Friday. any export licenses were issued.

The military officials said the

machinery would have enabled the will hold out the possibility of production of a special type of computer memory called a bubble eventually eliminating export limemory, which can hold data even goods" and technology shipped if power is turned off. Bubble memories are also rugged and radiation

"Dual use" refers to items that are resistant, and they are frequently commercially made and traded, but used in lighter aircraft and guided could have military application for U.S. military and customs offi-

chine tools that allowed them to make quieter submarine propellers. According to L'Express, the

French transaction called for providing the Soviet Union with a technology.

The technology transfer was disclosed on Friday in an article by

very-high-performance chip. U.S.,
French, and Luxembourg officials said, however, that they believe the in Luxembourg two years ago.

> The Express investigation said the technology transfer plan began with a French export company, So-gexport, a division of Societe Gen-érale, which at the time was owned by the French government. A Sogexport division, Scientific Accessories, run by Aimé Richardt, worked with a Silicon Valley company, Quad Group, to buy technology from various American companies. Mr. Richardt and four others are on trial in Luxembourg for illegally shipping the materials.

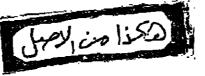
Christian Amalric, president of Sogexport, told L'Express that "we had obtained French authorization to export this machine, which, at this time, was not inscribed on the Cocom list and freely left the Unit-ed States." He was referring to a list of sensitive materials drafted by 16 Coordinating Committee on Multilateral Export Controls, known as Cocom. U.S. officials insisted that machinery of this sophistication

■ U.S. Officials in Europe Susan F. Rasky of The New York Times reported from Washington:

A team of U.S. export control officials will begin a tour of 14 European capitals this week, hop-ing to convince the Western allies to beef up their systems for control-

In exchange, the United States the Soviet Union or its allies.

"We're talking about cutting the cials said the case was "very seri-ous." But they said it was not as possible," said Allan Wendt, the grave as the case in which a division State Department's senior repreof Toshiba Corp. sold the Soviet sentative for stategic technology Union highly sophisticated ma- policy.



New International Bond Issues

Compiled by Laurence Desvilettes

Coup. Price end Terms

ROATING RATE NOTES £ 100 2015 1 100 Over 3-month Liber until 1997, and ½ over thereafter Average life 5 to 7 years. Fees 0.40%. Denomination TMC Mortgage HXED COUPON 1989 10 101 Noncollable, Fees 11/96. 1989 9% Toronto Dominion Noncollable, Fees 1)6% Bank (Cayman) African Development DM 200 1994 7 100 98.00 Noncolloble, Fees 2%. 1992 6 100 97.45 Noncollable. Fees 2%, Chance Finnish Export Credit 1993 10% 101% Noncollable, Fees 13/2 First Austrian Bank 1989 111/4 1011/4 Noncollable, Fees 1%% Nippon Telegraph & 1992 11% 101% Telephone ANZ Banking Group 1990 1314 101% Aus\$ 50 Nonmiloble, Fees 15% \$550 1997 51/2 100 Reli Resources Redeemable at 134.72 in 1993 to yield 10%. Convertible into shares of the Broken Hill Pty at Aus\$12.36 per share and at Financial Services Aus\$1,3831 per dollar. Fees 247%. \$100 1992 3% 100 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 1,446 yen per share and at 145,10 yen per dollar. Fees 26%. Bridgestone Hitachi Moxell \$70 2003 11/2 100 Semiconworlly. Callable at 103 in 1993. Convertible at 2,951 yen per share and at 144,50 yen per dollar. 21/7%. Hokkai Can 1992 open 100 Coupon indicated at 314%. Noncollable. Each \$5,000 note with one worrout exercisable into company's shares of on expected 25% premium, Fees 25%. Terms to be set Oct. 21. 1992 open 100 Coupon indicated at 3%%, Noncallable, Each \$5,000 note with one worrout exercisable into company's shorts of an expected 21/16 premium. Fees 21/26. Terms to be set Oct. 19. \$100 1992 open 100 Coupon indicated at 34%, Nancallable, Each \$5,000 note Kaio Terto Electric Railway with one warrant exercisable into company's shares at an expected 24% premium. Fees 24%. Terms to be set Oct. 21. \$50 1992 314 100 Noncolable. Each \$5,000 note with one warrant exercisable into company's shares as 3,362 year per share and at 145.10 year per dollar. Fees 21/%. Korakuen Company \$70 1992 3½ 100 Noncoliable. Each \$5,000 note with one warrant exercisable into company's shares at 1,179 yen per share and at 145,10 yen per dollar. Fees 24%. Maruetsu Matsuyadenki \$30 1992 open 100 Coupon indicated at 31/1%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 24% premium, Fees 24%. Terms to be set Oct. 22. Noncollable. Each \$5,000 note with one womant e \$70 1992 3% 100 into company's shares at 995 yen per share and at 143.70 yen per dallar. Fees 214%,

. 3, 6 Nisshin Oil Mills Callable at 103 in 1990. Convertible into Arizona Public Services Co. shares at \$34% per share. Fees 21/2%. Pinnacle West Capital **\$75 2002** 10 Noncatioble. Each \$3,000 note with one warrant exercisable into company's stores at 2,308 yen per share and at 144.50 yen per dollar. Fees 26%. Seino Transportation \$70 1992 31/4 100 \$100 1992 3½ 100 Taka-Q Noncollable. Each \$5,000 note with one warrant ex into company's shares at 3,885 year per share and at 144.50 year per dollar. Fees 24%. £ 50 2002 open 100

100.50 Coupon indicated at 4% to 5%. Redeemable to yield 9 to 91/36. Contable at 101 in 1993. Conventible into Avia Europe PLC shares of 447 penca per share, a 15:20% premium. Fees 21/36. Terms to be set Oct. 23. Recleamable at 135.318 in 1992 to yield 10.48%. Convertible into shares of the Broken Hill Pty at Aus\$12.566 per share and at Aus\$2.2727 per pound. Fees 2½%. **Bell Resources** Financial Service Callable at 101 in 1992. Conventible at Aus\$7 per share and at Aus\$2.28 per pound. Fees 21/1%. £40 1994 7 100 Mayne Nickless Finance Bell Resources Aus\$ 200 1997 7% 100

Redeemable at 130.872 in 1992 to yield 12.56%. Convertible into shares of the Broken Hill Pty at Aus\$12.463 per share . Feez 256%. : Financial Services

STOCKS: Baker Plays Down Plunge and Kaufman Predicts a 'Steadying'

(Continued from Page 1)

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Liber States

revel life i ferr

DEX.

hat the administration would not surplus countries jack up their insurplus hange its exchange-rate policy with our trading partners," as re-paired by the Louvre agreement on low by raising its interest rates."

currency stability reached in Feb-

Mr. Baker made similar com-York Times story on Sunday that ruary among Western industrial means Sangray in an interview on istration of cable News Network. He had not-The Treasury secretary insisted sit back in this country and watch that the administration would not surplus countries jack up their in-

The New York Times said that

HOMES: California Firm Marries French, U.S. Styles

strategy in Ile-de-France, where it now centers all its operations, is dosely linked to the RER lines, the man & Broad-France's annual regional express train network. Hele France comprises Paris and suranding districts.

far from Paris 10-15 years ago," Mr. Nafilyan said, "today want individual homes a bit closer to Paris, even if population is denser and parcels are smaller."

In 1979, Kanfman began selling individual homes to institutional investors, mainly insurance companies, that had traditionally bought apartment houses in the center of Paris.

The first was insurance company La Concorde, which bought into a village of individual homes in Epone next to Mantes, west of Parits Since 1979 20 and the state of the state is. Since 1979, 30 percent of indi-

ed a new division, Kaufman & Broad Développement, which is headed by Henri Caro, formerly vice president of Bouygues' real es-

before beginning construction.

vidual home sales have been to insurance companies.

Between 1984 and 1986 Kauf-

earnings rose from \$5.8 million to France comprises Paris and sur-anding districts.

\$16.8 million. During this period, the company bought Bati-Service, a builder of entry-level homes, and began constructing apartments, offices and senior citizens homes.

To run these operations, it creat-

tate arm. Financial risk is low in these ventures since Kaufman purchases land on option, and sells the office or apartment buildings to investors

Kaufman's main activity, with profit of \$8.3 million in 1986 on revenue of \$90 million. Bati-Service reported profit of \$5 million on \$66 million revenue; office and apart-ment building produced profit of \$2.8 million on revenue of \$15 million, and retirement homes, \$700,000 profit on revenue of \$3

Upscale home building is still

U.S. marketing strategy in France's construction industry is now being successfully adapted by local companies, who have never had the backing or financial re-sources of a California-based parent company.

"I think marketing is becoming universal," Mr. Broad said. "Perhaps Americans had an advantage 20 years ago. There are fewer dif-ferences today."

SOVIET: U.S. Assails Plan to Export VW-Powered Cars

(Continued from first finance page) one with Pizza Hut, a subsidiary of Acronautics and Space Administration, the U.S. space agency.

One with Pizza Hut, a subsidiary of Pepsico, which would operate four pizza establishments in Moscow.

Proposition of Pepsico, which would operate four pizza establishments in Moscow.

The Society of Pepsico in Establishments in Moscow. Volkswagen is only one of more than 100 Western companies with point ventures with Babcock PLC whom the Soviets are discussing joint ventures with Babcock PLC of Britain to manufacture industrial refrigeration equipment, financed in part by an Italian bankanged in part by an Italian ba

BNP to Buy Control of U.K. Broker

PARIS - Banque Nationale de Paris said Saturday that it was taking a majority stake in London-based securities broker Ark Securities, to strengthen its global equities business.

Ark, which already had a working relationship with the French

government-owned bank, was seeking to reinforce its capital ahead of its planued listing on the London Stock Exchange, BNP said. It did not give an amount for the transaction.

Eric Lorsignol, a BNP director who is to be chairman of Ark, said the purchase would develop BNP's European equities expertise. The London firm will also benefit from BNP's large international finan-cial network and its British branches, BNP PLC and BNP Capital

BNP recently announced that it would take a majority stake in one of the smaller Paris brokers, du Bouzet, taking advantage of planned egislation to open brokers capital to outsiders.

It also has taken a 75 percent stake in ABS White & Co., an Australian securities house based in Sydney, and has applied to open (Reuters, AFP) a securities house in Tokyo.

A half-dozen such ventures have ing syndicate; Sandvik AB, a L Huhs, an international lawyer aheady been concluded, including Swedish company to produce tung- who advises U.S. multinational companies on relations with the

"The ultimate objective is to make Soviet manufactured goods more salable in the West," he said. One of the Soviet Union's immediate objectives, American officials said, is to obtain most-favored-na-

The U.S. government estimates that Soviet exports to the United States would grow by a relatively modest \$20 million to \$100 million

nually if it

(atus, according to a varyon deputy assistant secretary of commerce for Europe.

Over the past decade, U.S. trade with the Soviet Union has been relatively stagnant.

(atus, according to a varyon deputy assistant secretary of commerce for Europe.

Over the past decade, U.S. trade with the Soviet Union has been relatively stagnant.

(atus, according to a varyon deputy assistant secretary of commerce for Europe.

(b) Mother the Soviet Union has been relatively stagnant.

(c) 158.90

(c) 26.00

(c) 26

about \$400 million.

U.S. Stocks Have Yet to Crest, Elliott Wave Theorist Says

Robert R. Prechter has earned a reputa-mendations. Its recent move just means that the failure of the Dow to break damage is over. Markets rarely turn on a tion as one of the most accurate stock I'm doing my job correctly. market forecasters in the United States, Q. The stock market looks shaky to many having correctly predicted almost every investors. Are the big price declines that we

major turn in stock prices since the bull market began in August 1982. Ironically, some critics say Mr. Prechter's record for accuracy is partly responsible for the market's current woes. After he warned subscribers to his newsletter, The Elliott Wave Theorist, that the market was ripe for a major correction, the Dow Jones Industrial Average dropped 91 points on Oct. 6. He spoke with John Meehan, editor of the IHT's Personal Investing section, about the market's recent downturn and about his devotion to the Elliott Wave Principle. This theory, named after Ralph N. Elliott, the accountant who are a limited number of patterns and that devised the principle in the wake of the 1929 stock market crash, holds that the

O. There are those on Wall Street who say you share some responsibility for the market's recent problems because of your recent bearish views. Do you believe this claim is justified?

market moves up and down in predict-

able, recurring waves.

A. No. The market is much bigger than any regardless of me or anyone else's recom-

MONDAY Q&A

Q. Can you define the Elliott wave theory:

and forth between optimism and pessi-

one analyst and will go wherever it pleases Q. You had been bullish until earlier this

have seen this month trying to tell us that the bull market is over? A. Not in my opinion.

A. The wave principle is simply a detailed description of price and volume patterns that recur in the market. Elliott did his research empirically. He studied the price charts of stocks and commodities over varying time periods, some very short, ur-long periods, as well as daily and monthly charts. He soon realized that there each displays certain characteristics inter-nally and also indicate which patterns follow. From this method, he developed an objective approach to the market.

Q. Are you saying that past is prologue?

A. Yes, the basis of market movements is mood changes, and the fundamental na-ture of crowds doesn't change. It goes back mism, always from one extreme to the

month when you warned your subscribers

Largest Corrections of Postwar Period

Following are the 10 biggest percent corrections of the Dow Jones industrial average since the end of World War II.-

to around 2,300. What made you change your mind?

indicators that are pretty good predictors: price patterns, which under the wave principle take various forms and shapes; time cycles that occur with some regularity between the tops and bottoms of markets; market movements, namely the speed and breadth of price movements; and investor psychology. The 160-point rally that began Sept. 22 and took the Dow to 2,640 displayed the same technical characteristics in terms of investor psychology and price momentum that in the past have been associated with a correction.

Q. Since market psychology is so important to your forecasting method, what can you say about the market's current mood and what does this mean for stock prices? A. The market was complacent and optimistic coming into the Oct. 2 peak. But the big declines, finally in the past couple of days, have begun to instill some fear among investors. This is an initial hint that the market is closer to its bottom than to its top. People who are optimistic already have their money in the market and vice versa near the bottom.

Q. Does this mean this latest correction is just about over? A. Let's say I believe most of the price get that make you good.

through 2,640 meant that it would retreat dime and go straight up. They usually

spend some time at the lows. Time may have to pass before another rally. This is an A. It wasn't just one thing. There are four interim period that is likely to end sometime in the fourth quarter. Q. I gather that you may be changing your opinion about the stock market. Do you believe you will be telling your subscribers in the November issue of your newsletter to get back into the market? A. Well, let's just say I'm not prohibited from sending out a bulletin before Novem-

> Q. Once the market is over this rough period, what is your long-term forecast?
>
> A. I'm still very butlish looking out over the next 14 months. I believe the Dow could reach 3,600 to 3,700 before this bull market is over. I've been saying this will happen before the end of 1988.

Q. What about after 1988? In the past you have warned of a devastating stock market correction and an economic depression. Do you still believe this?

A. After 1988, I think we'll see the biggest market decline in 60 years. Usually depressions follow. But that's just one person's view. No one has a road map to the future. Being a market analyst is a lot like batting in baseball; it's the percentage of hits you

MARKETS: Investors Take Their Own Steps to Reduce U.S. Trade Deficit U.S. Taking Part

985.20

891.57

734,90

1.014.78

995.14

212.50

987.05

520.76

1.051.69

*Includes corrections in which the average dropped more than 10 percent and then rose as much or more.

Source: Salarhon Brothers, 6

1.024.04

(Continued from Page 1) willing to intervene heavily to support the dollar. Both central banks are already trying to restrain ex-pansion in domestic money supply, partly the result of earlier currency

Thus, dealers anticipate that speculators this week will turn their ittention to the foreign exchange market. The comment from U.S. Treasury Secretary James A. Baker 3d last week that there could possibly be some lowering of the dollar's trading range is expected to be tested in the currency markets this

The question then is whether the central banks simply widen the target range as hinted by Mr. Baker, or whether the market forces an ssion that the agreement to stabilize currencies really lacks substance

At stake is whether the dollar is gently managed lower or whether it heads for a "hard landing" — the disorderly decline triggering a world recession that policy makers have been seeking to avoid since the dollar began its decline in 1985.

Mr. de Vries does not dispute claims that it may make little difference whether the United States exports goods and services to balance its trade or whether it linances

analysts and another senior admin-

dollar down somewhat against the

mark. They also said a decline of the dollar against the mark could be expected to mean a decline

against many other currencies, too. In Sunday trading in the Middle East, the dollar fell about 1.5 pfen-

East, the dollar fell about 1.5 ptennigs against the mark following the New York Times report, foreign exchange dealers said. In late afternoon the dollar was quoted at 1.7835 DM, after closing in New York on Friday at 1.7830 DM.

Mr. Baker said again that the administration will not accept the

To Reassure

Shareholders

Agence France-Presse

On the Paris Bourse, the widely

watched CAC index dropped about 8 percent last week, to 369.6 from

The drop comes with the program of selling off 65 state-owned industrial and financial companies

not yet half completed. The plan is

the cornerstone of the conservative

government's free-market policies.

Shares in recently privatized companies fell sharply. Some, such as Banque Paribas, dropped to

Finance Minister Edonard Bal-

ladur called Saturday on "the mil-

lions of French who have pur-

chased stocks in privatized

companies" not to be swayed by the price falls, noting they had in-

Treasury Bonds

their original selling price.

vested for the longer term.

402.9 the previous Friday.

view, is that financial markets — which one way or another must finance the deficit - have seized on the trade imbalance as the fountainhead of instability and are de- that it was intended to work so long market wants a correction in the manding an adjustment. Since poli-ticians are not providing that, the licy changes were made and they its trade deficit by selling stocks, market is - by pushing up interest have not been."

Dec. 3, 1968-May 26, 1970

Dec. 13, 1961-June 26,1962

Sept. 21. 1976-Feb. 28. 1978

April 27, 1981-Aug. 12, 1982

March 13-Oct, 4, 1974

Feb. 9-Oct. 7, 1966

May 29-Oct. 9. 1946

Oct. 26-Dec. 5, 1973

July 12-Oct. 22, 1957

Jan. 11-Aug. 22, 1973

investors.

bonds and real estate to foreign rates and thereby slowing the domestic demand that is helping cre-

631.15

584 55

535.75

744.31

163.12

788.30

419,78

Percent Change

-35.94%

-34 44

-27.10

-26.87

-23.24

-20 14

-19.39

776.91 -24 13

851.89 -19.00

ate the trade imbalance. What counts, he said, in an inter-The market, he said, "sees better than politicians" that February's Louvre accord to stabilize exchange rates "was premature

"There is no substance to maintaining the Louvre accord so long as these fundamental policies are not in place," he said. "There is no ndamental improvement in the U.S. trade deficit in the pipeline."

According to Mr. de Vries, Washington's failure to cut its budget deficit as promised last February is fueling overly rapid growth in domestic demand, which he estimated currently is expanding at a 3.5 to 4 percent annual rate. This leaves U.S. industry working full time to satisfy the demand - with no time to look for exports -- and importers with a booming market where rising prices are little obsta-

In this environment, he said "the dollar could drop another 20 percent in value and the U.S. trade deficit would still not improve. There's just no room for export growth" when the domestic market is expanding so fast.

At this point, Mr. de Vries said we need an increase in the discount rate not to defend the dollar but to curb domestic demand. The trade deficit" and by driving rates higher it "is forcing down domestic

In Argentina Loan

Compiled by Our Staff From Disputches WASHINGTON - The Treasury Department has announced that the United States will take part in providing a \$500 million short-

term loan to Argentina. A spokesman for the Treasury said Friday that the U.S. share of the loan was between \$200 million

and \$250 million. Last Wednesday, Argentina froze wages and prices as part of its effort to control inflation and promote expansion. (AP, Reuters)

Planting Time

The harvest moon has always presided er amateurish selling rushes in the mar-people sensing a time of termination, fessionals do much of their shopping for tomorrow's leaders during these flushouts intel or \$18 lost outurns, for example, and now white it reacts again from \$62 to pare for a drive which Indigo says will top \$100. To learn more about where to plant money as the public pulls it out, write

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tax increases Congress is proposing to help reduce the federal budget deficit. "I think that the writing of Lotto 6/49 is the official Canadian version of these tax packages had a major effect in what's happened to the stock market over the past three or four days," he said, noting that corporate taxes would rise.

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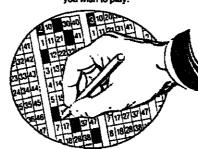
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2ND PRIZE	10	\$443,481.60				
3RD PRIZE	716	\$3,704.70				
4TH PRIZE	48,917	\$139.30				
5TH PRIZE	965,112	\$10.00				
TOTAL PRIZES 1,014,756		I, PRIZE VALUE 7,443,228.10				

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SPORTS

SPORTS BRIEFS

Tanzanian Is Winner of Beijing Marathon

BELITING (UPI) — Juma Ikangaa of Tanzania broke away in the final stages to win Sunday's seventh annual Beijing Marathon. Ikangaa, 27, finished the 26-mile, 385-yard (42.19-kilometer) course m 2 hours, 12 minutes and 19 seconds for his first victory in the race through the center of the Chinese capital. Ethiopian Negasi Dube was second in 2:12:49 and Brad Camp of Australia third in 2:12:52.

It was the first time since Hideki Kita's 1984 victory that Japanese runners have not finished one-two, but they still hold five of the event's top 10 clockings.

Ioka Titlist of WBC's New Strawweight Class

OSAKA, Japan (AP) — Hiroki loka of Japan won a unanimous decision over Mai Thonburifarm of Thailand here Sunday to become the first champion of the World Boxing Council's new strawweight class. There were no knockdowns in the 12-round fight.

The WBC set up the 47.6-kilogram (104.7-pound) division last month and ordered Mai and loka to light for the title. Ioka, at 18 the youngest Japanese boxer ever to win a world crown, will now defend against South Korean Lee Kyung-yung.

Pate Leads O'Meara by 1 Shot in Disney Golf

LAKE BUENA VISTA, Florida (UPI) — Steve Pate, seeking his second victory in three weeks, moved into a one-stroke lead after Saturday's third round of the Walt Disney World Classic golf tournament.

Pate, who won the Southwest Classic earlier his month, had two front-nine eagles en route to a 65 and a total of 17-under-par 199, one shot ahead of Mark O'Meara, the leader through the first two rounds. O'Meara had a 69 Saturday. Morris Hatalsky, Andrew Magee and David Frost were at 14-under, while Mark McCumber, Mac O'Grady and Loren Roberts were another stroke back.



Quotable

• Derland Moore, 35, a former New York Jet defensive tackle, after showing up at training headquarters for replacement players: "I'm ready. I have a pulse."

after his team was beaten, 52-0, by Florida: "The outcome doesn't shock that Florida has, you have to bring bigger bullets." (AP) bigger bullets."

VANTAGE POINT/Michael Janofsky

End of the Strike, New Phase of the Battle

NEW YORK — The end of the players' strike against the National Football League owners last week was the beginning of a new phase of the labor dispute, one in which the pressures may intensify and the perception of management as the winner may change.

By filing an anti-trust lawsuit against the owners, in concert with sending the players back to work, the union has raised what it considers a hammer that could ultimately smash the system it was unable to change during the last six months at the bargaining table. If that were to happen, although it could take years, the football industry would be radically changed.

"I knew, when everything else failed, we had take a different course of action." Gene

to take a different course of action," Gene Upshaw, the union's executive director, said Saturday, discussing the suit. "Now, players from all over are calling to say they support what we've done."

How did the dispute reach this point? Why was so little accomplished in bargaining before and during the 24-day strike? Why are some owners now expressing serious concern over what happened, despite the fact they still embrace their initial positions?

The answers stem from one basic assump-tion: The union's bargaining proposals were so repugnant to the owners that they stood firm, united in their resolve not to give in. Conversely, 90 percent of the union went on strike, but the defections grew almost daily.

The union wanted a system that would enable players to be free agents at least once in Tony Jacklin, captain of the European Ryder Cup team that recently the existing system, in which teams maintain defeated the United States: "After you first-refusal rights and get compensation for their careers. The owners agreed to liberalize the existing system, in which teams maintain learn to hit the ball, golf is 95 percent losing free agents. The union wanted a pension between the ears. Either you handle it plan in which the owners are required to conor you don't."

(AP) tribute a minimum annual amount and reinvest

Coach George Henshaw of Tulsa, excess profits. The owners would only guarantee the level of benefits. The union wanted a three-year agreement. Once the strike started,

me. When you play the kind of athletes that Florida has, you have to bring Now the league is confronted by another lawsuit, just over a year after a federal jury

found it to be a monopoly in the case involving the U.S. Football League. The union is claiming that, in the absence of a collective bargaining agreement, players whose contracts expire Feb. agreement, players whose contracts explain the contract of them — can become free agents. Players on strike through Thursday who were refused pay for last week, and the opportunity to play Sunday, are angry. And owners are worried.

The union has raised what it considers a hammer that could ultimately smash the system it was unable to change during the last six months at the bargaining table.

"We could eventually be big losers," Pat Bowlen, the owner of the Denver Broncos, said recently. "As I see it, there were no winners, and who ultimately wins remains to be seen. I hope that when things cool off some approaches will be made to negotiate again. But I'm very concerned that's not going to happen."

Other owners have expressed concern over the latest developments, including one who urged the management council to take a more conciliatory attitude into what became the last round of negotiations last week.

In the view of this owner, who asked not to be identified, management had the advantage in bargaining until then. Yet it was lost, he said, when league negotiators rebuffed several new ideas put forth by the union, including one that

would have created a system of free agency.
"I was hoping there would have been more of an exchange of ideas," the owner said. "We did just the opposite."

At that point the talks broke off, and all subsequent efforts were directed toward reach-ing a back-to-work agreement. But when that failed as well, Upshaw sent the players back without an agreement and the union proceeded

At the same time, the owners infuriated players by ruling that those who hadn't reported by I P.M. Wednesday would not be reinstated until after the weekend's games — and by raising the roster limit to 85 players, 40 players more than usual, from Monday through I P.M. next Saturday. While that will give coaches a chance to choose from among the regulars and those who played during the 24-day strike, it also created the possibility of confrontations

between them. If some owners are worried about the league defending itself in yet another anti-trust case. Jack Donlan, executive director of the management council, took a more moderate view. He said he had expected the union to file suit because the owners' refusal to grant free agency or change other aspects of the system left union leaders no alternative.

Even so, he called the suit "almost a peripheral issue," and predicted that the dispute would ultimately be resolved at the bargaining table.

When you looked at their game plan, you knew they had no intention of bargaining until after the expiration of the contract." he said the other day, referring to the Aug. 31 expiration date. Then, they were going to see if they could get what they wanted, and if they couldn't, they were going to the courtroom to get it."

He was right about one thing. The union felt it had no alternative.

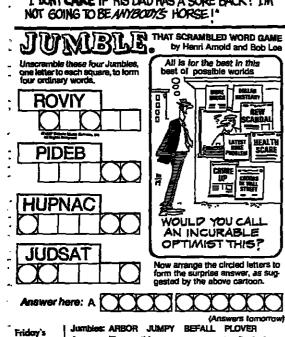
"The owners showed from the beginning they will refuse to change the system, that they will never allow the players to be free no matter how long they played," said Dick Berthelsen, the union's general counsel. "Since they kept saying never the only may me could change it is ing 'never,' the only way we could change it is by going to court."

And now that they have, union leaders may be in less of a hurry to get back to the table.



Ketcher

"I DON'T CARE IF HIS DAD HAS A SORE BACK! I'M



The one thing many a man wants after he has all the money he needs-MORE

WEATHER



MONDAY'S PORECAST — CHANNEL: Slight, FRANKFURT; Foir, Tem. 14—6 (57—6). LONDON: Cloudy, Temp. 14—8 (6)—46), MADRID: Cloudy Temp. 15—6 (6)—43), NEW YORK; Foir, Temp. 20—9 (64—48), PARIL Cloudy, Temp. 14—16 (79—61), TEMP. 24—16 (79—61), TEMP. 24—16 (79—61), TEMP. 24—16 (79—61), TEMP. 24—21 (61—43), BANGKOD Cloudy, Temp. 31—26 (88—79), HONG KONG; Rain, Temp. 25—27 (77—77 MAMILA: Showers, Temp. 31—26 (91—79), SEQUIL: Cloudy, Temp. 25—27 (77—77 MAMILA: Showers, Temp. 31—26 (91—79), SEQUIL: Cloudy, Temp. 24—21 (91—79), SEQUIL: Cloudy, Temp. 16—27 (91—79), SEQUIL: Cloudy, Temp. 25—27 (79—77), TEMP. 25—27 (91—79), SEQUIL: Cloudy, Temp. 25—27 (79—77), TEMP. 25—27 (91—79), SEQUIL: Cloudy, Temp. 25—27 (91—79), SEQUIL: Cloudy, Temp. 25—27 (91—79), TEMP. 25—27 (91—79)

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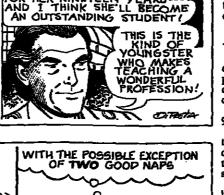












Amsterdam

Amsterdam stocks suffered substantial losses last week on disappointing U.S. trade figures and a general rise in world interest

The ANP-CBS general index closed at 290.7, down from 304.8 the previous Friday. On Thursday, the index plunged 11.6, its biggest one-day drop since it was started in 1970.

Volume for the week jumped to 7.2 billion guilders, from 4.92 billion the previous week. Amsterdam stockbrokers Kempen & Co. said the outlook for stock prices is poor, especially since interest rates are unlikely to turn

Frankfurt

The Frankfurt stock market, hit the previous week by the government's proposed withholding tax on investment income, fell further last

The Commerzbank index lost 40 points to close at 1,896.6 on Enday, against 1,936.6 the previous Friday.

Negative factors included the announcement Wednesday by the Bundesbank of an increase from 3.75 percent to 3.85 percent for securities repurchase agreements, the dollar's weakness and rumors that the central bank might raise the discount rate at its next meet-

Volume on the eight West German stock markets was 15.18 billion DM for the week, against 15.04 billion the previous week.

Autos were irregular. BMW dropped by 4
Deutsche marks, while Dainler was up by 26 and VW by 10:50. In chemicals, BASF dropped 3.70 DM and Bayer 6.50.

Hong Kong

Panic selling sent Hong Kong's Hang Seng Index plunging Friday to finish at 3,783.20 points, down 99.22 on the previous week. Many dealers attributed the loss to a long overdue technical correction. Wall Street's

problems added to the confusion. Top local property company Hongkong Land bucked the trend Friday to score a handsome gain of 90 Hong Kong cents, on renewed rumors that lardine Matheson, its associate, was about to sell its 25 percent stake in Hong-

kong Land. Cathay Pacific closed at 8.50, down 40 cents, Cheung Kong finished at 12.50, down 60 cents, and China Light at 27.40, down 180 cents.

London

The wider-than-expected U.S. trade deficit for August, which hit Wall Street and the dollar, prompted widespread losses last week

on the London Stock Exchange.

The Financial Times industrial share index ended 45.3 points down on the week, at 1,812.9. Trading was suspended on Friday af-ter bad weather in southern England caused

widespread power failures.

Losses were pared for equities by good economic indicators on producer prices, unemployment and average earnings, and by com-ments by the chancellor of the Exchequer, Nigel Lawson, excluding an early rise in British interest rates.

All sectors were affected, notably pharma centicals, after disappointing annual results from Glaxo. Midland, Royal Bank of Scotland, Standard Chartered and Kleinwort Benson numbled on the Bank of England's undertaking to protect British banks from foreign take-

Milan

The recent upturn in Milan stocks was halted last week by the drop on Wall Street, but purchasing interest Tuesday and Thursday contained the fall over the week to 0.44 per-

The Milan Stock Exchange Index closed at 910 points, after the previous week's 914.

The other big factor in market sentiment was the future privatization of merchant bank Mediobanca, in which the private and public sector will each hold 20 percent with the rest being sold to small investors at the market rate.

Mediobanca shares lost 4.70 percent after

late profit-taking, but two of the bank's large shareholders rose, Banco Roma by 2.57 per-cent and Comit by 1.66 percent.

Paris

Paris stock prices, buffeted by higher interest rates, poor French and U.S. economic indexes and Wall Street's plunge, dropped 8 percent last week, one of the Bourse's worst weeks in five years.

WORLD STOCKS IN REVIEW / Via Agence France-Presse.

The CAC index finished at 369.6, down from 402.9 the previous Friday.

The market has dropped by 20 percent since the start of the year, despite the 17 percent gain by the end of March that had taken the CAC index to a record high.

More than 200 billion francs was wiped offf

the value of shares. Analysts said that liquidity has been dried up by the government's privatizations, listings

on the Secondary Market and various market calls for funds. On Friday, amid appeals for calm by politicians and Bourse officials, prices made a 2 percent recovery. Analysts said there are now a number of bargains to be found, following the big shakeout of the last few days.

Singapore
The Singapore stock market fell relentlessly last week, following the trend elsewhere. The Straits Times Industrial Index closed at 1,392.42 points Friday, down 61.88 points from the pressure week. from the previous week.

Expected economic growth of about 8 percent for Singapore for the last quarter of the year and an anticipated Malaysian budget annonneing lower corporate taxes failed to boost Turnover for the week dropped about 12

percent to 87.3 million units valued at 302.5 million Singapore dollars, around 5 percent less than the previous week.

Malaysia Mining topped the list of active shares, closing 4 cents higher at 3.12 on turn-over of 5.1 million shares, on a strong showing by its Australian associate company, Aston Mining.

Tokyo

Prices were mixed on the Tokyo Stock Exchange last week. The 225-issue Nikkei Stock Average advanced 27.97 yen to close Friday at 26,366.74 yen, while the composite TSE index

of all issues fell 5.27 points to close at 2,152.98.
The market started weakly as investors worried about a possible hike in interest rates and the rapid pace of price advances, but gained strength Tuesday and Wednesday, as investors and the rapid pace which the behind the strength of sought giant-capital and high-tech issues. However, successive record falls on Wall.

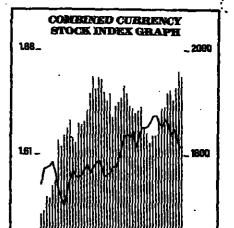
Street, together with uncertainty over U.S. interest rates, pushed the market down on Thurs-

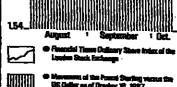
day and Friday. Many brokers said the market was strong enough to absorb shocks from New York, and added that it appeared to have gained momen-

tum from the recovery of corporate earnings. Zurich

The Zurich stock market fell last week following the plunge on Wall Street. The Credit Smisse index finished at 629.5 points, against 637.3 a week earlier, and the Swiss Bank Corp. index at 706.1 against 723.1.

Zurich bankers generally said they thought Wall Street would stabilize now, helping the outlook for Zurich. Most stocks moved lower last week, particularly banks and insurance companies. Union Bank of Switzerland lost 185 francs to finish at 4,815 on Friday, Credit Suisse 110 to 3,390, and Zürich Insurance 325 to 7,100.





SOURCE SCHÜRICH & PARTNER AG

ZURICH - AMSTERDAM

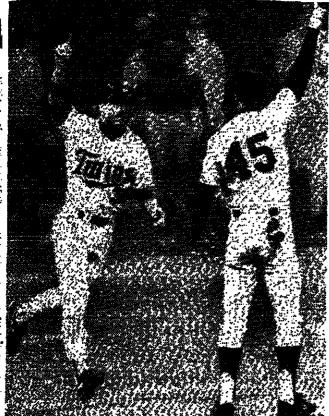
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Dan Gladden, left, showing a glad hand after his basesloaded homer put the Twins ahead, 7-1, in the fourth inning.

Twins Open Series With 10-1 Thrashing of Cardinals

By Michael Martinez

New York Times Servet

MINNEAPOLIS — There were banners hanging everywhere Saturday night, and lit-tle white "homer hankies" swirling in the air and a din in every corner of the Metrodome. The Minnesota Twins seemed to thrive on it. They have been maligned because of their inferior record and ridiculed because they play baseball indoors, but now they have a one-game lead in the 84th World Series.

The Twins combined power from two unlikely sources and superb pitching from Frank Viola, as they routed the St. Louis Cardinals, 10-1, in the opening game of the four-of-seven-game Series.

Dan Gladden, an outfielder known more for his speed on the bases than the heft of his bat, hit the first Series grand-slam home run in 17 years and drove in six runs. Viola, who was supposed to be the best man at his brother's wedding in New York, allowed the Cardinals five hits through eight innings.

His bases-loaded homer was the 13th in Series history, and it came on a night when the Twins had 6 walks and 11 hits, blasting the ball from one corner of the echoing plastic-carpeted Metrodome to another.
"No, I don't think it was the crowd," Whitey Herzog, the Cardinal manager, said of the roaring fans. "It's loud, I'll say that. I don't want to blame the dome for losing the ballgame. They just beat us — a good old-fashioned tail-kicking, that's all."

struck him out. He threw 100 pitches, did dome. Gary Gaetti was credited with a not walk a batter and struck out five before double at the end of the fourth when nei-Keith Atherton worked a scoreless ninth. ther Vince Coleman, the left fielder, nor

underdog to win the American League the ball against the gravish-white ceiling. championship series in five games over Detroit, scored seven runs in the fourth inning and two more in the lifth on Steve Lombar dozzi's two-run homer off Bob Forsch. They knocked out the Cardinals' left-handed

And then Viola breezed, perhaps inshoulder in right field.

"I felt totally in control of the game, out.

I didn't let any letdown happen," said
Viola, who has had 10 victories without a
defeat at the Metrodome since May 22. "I

World Series participant. Only defeat at the Metrodome since May 22. "I was 0-0 and approached it that way."

But it was not 0-0. It was 7-1 in the fourth, 9-1 in the fifth and, finally, 10-1 in

The Cardinals scored a run on a bloop double by Jim Lindeman in the second and Viola, who retired 16 of 18 batters after

The Cardinals, who won their playoff start a World Series opener. appeared

Viola had a count of three balls on just against San Francisco in seven games, even bothered early by his lack of control, walk-one batter, Tom Lawless in the fifth, and had some predictable trouble with the ing two batters in the second inning and The Twins, who rose from the role of Willie McGee, the center fielder, spotted ly. But he did not advance any farther. "It's tough here." said Ozzie Smith, the

WORLD SERIES: GAME 1

St. Louis shortstop, "Any time you come starter, Joe Magrane, who faced five batters here and visit, whether it's 1 or 2 times or 9 in the fourth without getting an out. here and visit, whether it's 1 or 2 times or 9 or 10, you can't get used to it. In that way, or 10, you can't get used to it. In that way, it's definitely an advantage to them.

ter anything."

ever for a World Series participant. Only the 1973 New York Mets, who trudged through the season with a 82-79 record, had fewer victories. But this is a team that plays precisely as

its manager, Tom Kelly, says it does. "We do the best we can," he has said all but a run-scoring groundout by Tony Pena. daily since the postseason began, and Sat-But they were never able to imload against urday night their best effort crushed the Cardinals.

Magrane, only the eighth rookie ever to

one more in the third. He made rune toughness, straight pickoff throws to first with Gladden on base in the third, then did not throw there again, and Gladden stole second easi-

three consecutive singles, by Gary Gaetti. the postgame conference. How did he feel as Don Baylor and Tom Brunansky, to load he ran the bases? "I was excited," he said. "I the bases, then a two-run single by Kent tried to hold my emotions. I thought about Hrbek, the only left-handed batter in the Minnesota lineup.

Hrbek, the only left-handed batter in the Minnesota lineup.

but then I decided against it." Minnesota lineup.

Herzog did not hesitate to pull Magrane spired by the banner that read, "Frankle" "They did everything right," he added after he walked Lombardozzi, the No. 8 Sweet Music Viola" hanging over his with some resignation. "We couldn't mushitter in the order, on five pitches. Herzog hitter in the order, on five pitches. Herzog called for the 37-year-old Forsch, but the thunder didn't stop.

Tim Laudner delivered a single that

made it 3-1, and then Gladden crushed a 1-2 breaking ball 386 feet (112 meters) over the burrier in left, turning it into a 7-1

The last World Series grand slam came in 1970, when Dave McNally, the Balti-Lombardozz more pitcher, hit one against Cincinnati. Gladden enjoyed an exceptional playoff. hitting 350 and batting in five runs, but he was overshadowed by Gaetti and Brunansky, who combined for four homers and 14 RBIs. And in the Minnesota clubhouse. Gladden is known more for his practical jokes than his leadership.

bothered early by his lack of control, walk-ing two batters in the second inning and someone asked about Gladden's supposed

Lombardozzi did not differ. "Goofy." the second baseman said. "But we need a little of that."

Gladden, who came out for a curtain call Magrane was surviving but he could not from the hanky-waving crowd of 55.171, make it through the fourth. There were disputed the tag but offered a little humor in

> He was referring, of course, to the stiffarmed home run trot by the San Francisco outfielder in the National League playoffs. But Gladden is no power hitter, having hit 24 homers in four seasons and only one previous grand slam.

> "He got a little embarrassed one time in Detroit when he struck out with the bases loaded on three bad breaking balls," Kelly said. "He felt bad, but he went on and got

Lombardozzi followed a one-out walk to Hrbek with a homer to left against Forsch. and the game was all but over.

Viola kept the top two Cardinal base stealers. Coleman and Smith, off the bases and permitted only one runner as far as second base after St. Louis scored its run. "This is a confidence-builder," Viola said. "We sure as heck got our fans fired up."

Tyson Hammers Biggs, Wins in Seventh

By William Gildea Washington Part Service ATLANTIC CITY, New Jersey — Mike Tyson made Tyrell Biggs

pay, and pay plenty.
Tyson, undisputed heavyweight champion, scored a technical eye. knockout over Biggs on Friday night with a devastating left hook at 2:59 of the seventh round of the

count as Tyson unceremoniously pay.
deposited the previously unbeaten Ty challenger in a heap in his own comer.

Seconds earlier, Tyson, who had won 28 of 32 professional bouts by knockout, sent Biggs (15-1) through the ropes with a left that signaled the end was near. Biggs, a 10-to-1 underdog, was never a threat to Tyson during the scheduled 15-rounder. Tyson's first de-fense of his unified crown, which in Convention Hall realized early includes the World Boxing Counthat Tyson would win easily — it cil. World Boxing Association and was just a question of when he International Boxing Federation ti-

"I could have knocked him out in the third round," said Tyson. "I wanted to do it very slowly. I wanted him to remember it for a long

him extra incentive were predic- fight mentally tough," Biggs said

week. Tyson stormed around the ring after Biggs, who was virtually helpless in the last three rounds, bloodied from a cut about his left

"He was going to lose and he was going to get knocked out," Tyson said later. "He talked so much. He

Tyson said he knew he had Biggs beaten in the second round because he said his body shots made Biggs "sound like a woman screaming.

Biggs, the WBA's top-ranked contender, absorbed tremendous punishment, landing few punches from the fifth round on and taking thunderous lefts and rights from the relentless Tyson.

would put Biggs away.
This, despite the fact that Biggs towers over Tyson, 6-foot-44 to 5-

foot-10 (1.95 meters to 1.77), outweighs him 229 to 216 pounds (104 kilograms to 98), and has a 9-inch ach advantage.

I learned I had to come into a

tions of victory by Biggs and his later. "I just let him dictate the manager. Lou Duva, earlier in the fight after the second round." fight after the second round." Said Tyson: "I don't believe left eye. there's a man on the planet who can

In the first round. Biggs used his height and reach to good advan-tage. He kept Tyson at bay with his jab while circling back and to the left away from Tyson's powerful title bout. didn't show any respect or any left hand. Biggs asserted himself
The light was stopped without a class. So I was going to make him with three straight jabs.

In the final minute of the round, Tyson caught up to Biggs with his vaunted left, landing a hook that rocked him. Tyson landed a right hand, and, at the end of the round, Biggs was bleeding from the

Tyson continued to press Biggs in round two. Biggs was not running as much, and Tyson scored with a jab and a hard hook. Driving in, Tyson scored with a right. Ty-son rocked Biggs with two hooks to the head.

Tyson peppered Biggs with jabs to open round three, then connect-Tyson landed a right and cut Biggs

corner, bleeding heavily around the

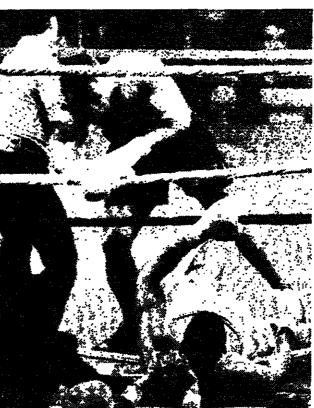
At the start of the fourth, Biggs iabbed feebly and Tyson continued to move in, scoring with a hook. With Biggs close to the ropes, Tyson hit him again with a left, then scored a stiff right cross to reopen Biggs's cut.

Early in the fifth, Biggs landed a right and a left to the head, but Tyson kept moving in. Tyson ham-mered Biggs with a right and the referee tried to break them apart as the round came to an end.

Tyson pressed relentlessly in the sixth. He scored with a hard right to the head. He drove Biggs back with a left to the head and another

Tyson scored with five consecutive lefts to the head; the wonder of it was what kept Biggs upright. Tyson greeted Biggs in the sev-

enth by knocking his mouthpiece into the first row. He then knocked ed with a crunching hook. Biggs Biggs through the ropes with a left drew a warning for a low blow. Biggs through the ropes with a left to the head and briefly went through the ropes after him. When above his left eye. Tyson joited Biggs got to his feet, Tyson re-Biggs with another left, then ham-mered two more hooks and a tre-reeling into his corner with a tremendous left into his bloodied face. mendous left to the head, a hook At round's end, Biggs shook his that left Biggs down and out.



Mike Tyson, looming over challenger Tyrell Biggs after putting him through the ropes in the seventh and final round. Bono passed for two touchdowns,

Falcons, in Comeback, Defeat Rams, 24-20

The Associated Press

ATLANTA - Erik Kramer passed for 335 yards and three secand-half touchdowns to lift the Atlanta Falcons to a 24-20 victory over the Los Angeles Rams. It was their last of three replacement games during the strike by

PRO FOOTBALL

regular players of the National

Football League. The Falcons overcame a 17-0 halftime deficit against a Rams team that included 11 of their regulars. The Falcons had only one. The Rams, playing with no ti-

meouts left, drove from their 20 to the Atlanta 5-yard line, where Lyudell Jones intercepted a pass, the fifth turnover for Los Angeles. The 24-day walkout by the NFL Players Association ended Thursday when players returned, only to be told they were too late to play

Regulars throughout the league are scheduled to return to practice and play in next week's games.

Steelers 21. Colts 7: In Pittsburgh, nonunion quarterback Steve

Chuck Sanders ran 10 yards for ond touchdown pass, a 20-yarder to Merril Hoge, broke a 7-7 tie 4:59

Browns 34, Bengals 0: In Cincinnati. Gary Danielson threw four touchdown passes against an inexperienced Bengal replacement team as veteran-laden Cleveland overwhelmed the Cincinnati defense. Danielson, at 36 the oldest Cieveland regular, led a contingent of eight Browns who crossed picket lines Wednesday to play in the season's first meeting of the AFC Cen-

It was the first shutout and most lopsided victory in the bitter 18year history of the intrastate series.

both club records, breaking marks

Patriots 21. Oilers 7: In Houston, Doug Flutte engineered scoring drives on New England's first two possessions, and Raymond Clayborn returned a field goal blocked by Andre Tippett 71 yards for another score to lead the Patriots to victory over the Oilers. Flutie, acquired last week from the Chicago Bears, threw a 27-vard touchdown pass to Larry Linne while Michael LeBlanc added a 3-

scooped up and returned 71 yards for a touchdown. New England improved to 3-2 while the Oilers, whose strike re-

placement team won its first two games, dropped to 3-2.

Saints 19, Bears 17: In Chicago.

p!ayed.

Risher to Lee Morris.

Green Bay has now played three overtime games this season, winning one, losing one and tying one. The Packers are 2-2-1 overall, 2-1 in the three weeks of nonunion

interception 30 yards for a touchdown and Arthur Wells recovered a Minnesota fumble in the end zone, leading the Buccaneers over the Vikings. The smallest crowd in Bucs history - 20,850 - watched as replacement ball ended a two-week run in Tampa Stadium with the Bucs improving their record to 3-2 overall, including 1-2 in strike

Texas 16, Arkansas 14: In Little Bay's regular 45-man roster -- center Dan Turk - played Sunday. No Minnesota regulars returned to

SCOREBOARD

Football

Alfred 21, Hobert 14
Amherst 17, Celby 9
Boston U, 16, Rhode Island 13
Brown 23, Consell 15
Coligate 22, Army 20 Connecticut 21, Mas Hamilton 25, Wesleyon 14 Harvard 42, Dartmouth 1
Helv Crass 42, Bucknell 10
Lafavette 32, Davidson 10
Middlebury 21, Botes 14
Hovy 32, Perm 28
Hew Hampehire 24, Northeas:
Princeton 14, Lehieh 15
RPI 29, Union 17
Rachester 31, Horsino 28
Ruisers 32, Boston Col. 24
Syrocuse 42, Pern 51, 21
Trially 42, Tuffis 16
W. Virginia 45, Cinclanati 17
Williams 24, Bowdoin 8
Yate 27, Columbia 13
SOUTH Horward 42, Dartmouth 3

SOUTH Alabama 41, Tennassee 22 Auburn 20, Georgia Tech 10 Clemson 17, Duke 10 E. Caroling 32, Virginia Tech 23

MIDWEST Bowline Green 20. Tolede 6 Cent. Michigen 41, Tulse 18 E. Illineis 20, Indiana 51, 14 E. Michigen 35, Betl \$1, 28

SOUTHWEST NW Louisiana 24, SW Texas St. 21 Texas 16, Arkansas 14

attickers. Texas A&M 34, Baylor 10 Texas Christian 19, N. Texas St. 10 Texas Tech 59, Rice 7 naton SL 7

FAR WEST
Arizona 31, Oregon St. 17
Arizona 31, Oregon St. 17
Arizona St. 38, Washington St.
Colorada 35, Kansas 10
Howall 25, Urba 14
Hotho 38, Newodo-Reno 28
Lone Beach St. 23, New Maxica
M. Arizona 32, Lidaha St. 23
Naire Donne 35, Air Fearce 14
Pacific (Ore.) 28, S. Oregon 3
San Jose St. 20, Fresna St. 16
Southern Col 37, Washington 23
Stanford 44, San Diego St. 40
JISA St. 17, Pacific U. 13
Aryoning 37, Houston 25

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Selected College Results World Series Summary MINNESOTA abrhbi
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Smith ss 4000 Gapne is
Herr 2b 4000 Pucketi ct

Coleman II Smith 25 Herr 25 Lindmn 15 McGee cf Pena c Lake c Ocuend ri Pagnzzi (In Lawiess 30 4 1 2 0 Gaetti 3b 3 0 2 0 Boylor dh 3 0 0 1 Brnesky ri 3 0 0 0 Hrbek 1b 2 2 1 2 3 0 1 0 Larkin 1b 0 0 0 0 3 0 0 0 Lmbdzz 2b 3 3 2 2 H RER BB 50 St_Louis

Winesold Viola W, 1-0 010 000 000-- 1 5 1 000 720 10x--10 11 6 ing RBi-Hrbak (1). E-4 muless, DP-St. Louis 1, Minnesota 1. LOB-St, Louis 3, Minnesoto 7, 2B- Linds dden. HR—Gla

Oct. 18: 5t, Louis (Cox 11-7) of Mulnesori (Biylaven 15-12) Oct. 20: Minnesoto at St. Louis, 8:30 P.M. Oct. 21: Minnesoto at St. Louis, 8:25 P.M. x-Oct. 22: Minnesoto at St. Louis, 8:25 P.M. x-Oct. 24: 31, Louis at Minnesoto, 4 P.M. x-Oct. 25: 51, Louis at Minnesoto, 8:25 P.M. (x-H necessary)

Tennis

Stobadan Zivolinovic (4), Yugaslavia, def. Marty Davis, U.S., 7-5, 6-4. Ivan Lendi, Czechoslovakia, def. Romesh Krishnen (7), India, 6-2, 6-3. Pat Cesh (3), Australia, def. Scati Davis (5), U.S., 6-3, 7-5. Borts Becker (2), West Germany, def. Poul one (8), U.S., 6-3, 6-2 Semificals Landi del, Zivolinovic, 43, 7-5.

(At Toulouse, France) Quarterflacis
Tim Mayotte (1), U.S.def. Claudio Mezzadri
(8), Switzerland, 6-2, 6-1.
Ricki Osterthun, Wesi Germany, del, Lutz
Matter, Brazil, 3-6, 6-4, 6-2.
Tim Wilkison, U.S., def. Jerome Poller,

France, 4, 67 (4-7), 6-2.

Jakob Hissek (41, Switzerland, def, Patrick Kuthnen, West Germany, 6-4, 1-6, 6-2.

Semificults Mayotte dei. Hlasek. 6-3, 6-1. Osterthun def. Wilkison, 5-7, 6-4, 6-2.

Mayotte det, Osteritur. 6-2, 5-7, 6-4. WOMEN'S TOURNAMENT (At Filderstodt, West Germany) Martina Navratilovo, U.S., dei, Lori McNeil U.S., 6-4, 6-2

U.S., 8-4, 8-2. Gebriela Sobotini, Argentina, def. Helena Sukova. Czechoslovakia, 6-7, 7-6, 6-1. Pam Shriver, U.S., def. Zina Gerrison, U.S., 6-4, 6-2. Chris Evert, U.S., del. Mary Joe Fornandez. U.S. 62 5-7, 6-4 Semification Novratitions def. Solotini, 6-2, 6-2 Event def. Shriver, 7-5, 6-2 Flood Novratilions def. Event, 7-5, 6-1

Transition

FOOTBALL

ouard. NEW JERSEY—Announced it will not

NEW JERSEY—Announced it will not make a contractoffer to Ray Williams. guard. NEW YORK—Traded Jowann Oldham, forward-center, to Sacramenta for a 1988 second after choice. Signed Marik Jackson, guard, to a multiyear confract. PHILADELPHIA—Wolved Kenny Green, Brian Rohlity and Cloude Gregory, forwards,

National Hockey League Standings

WALES CONFERENCE ick Division Wilt Pis GF 6A L T Pls GF on 1 8 6 20 6 1 2 6 73 18 1 2 0 6 18 16 7 4 24 19

CAMPBELL CONFERENCE

FRIDAY'S RESULTS 2 1 1—4 McPhee 2 (2), Broten (2), Laiselle (4); Doth-lin (2), Richer (4), Maslund (1), Stots on goal: Montreal (on Chevrier) 8-9-6—23; New Jersey

P. Stushny 2 (4); Smith (1), Gillies (2), Sholts on goel: Quebec fon Borresso) 10-2-11-4-34; Buttalo (on Gosselin) 4-9-12-2-26. Torosto 8 1 1-2 Detroil 1 1-3 Klima (3), Yzerman (2), Proberf (1); Richardson (1), Olczyk (1), Sholts on goal; Torosto (on Stefan) 4-12-9-26; Detroit (on Wresgel)

(on Hayword) 7.4-11—22.

Guebec 1 0 1 0—2

Boffolo 0 1 1 0—2

P.Stoshny 2 (4); Smith (1), Gillies (2). Shots St. Leuis 1 1 8-2
Presery 2 (2), Saverd (3); Girmour (2),
1 1 1-3
Flockhari (1), Shefs an seal; Chicase (on
Warnsley) 7-16-19-33; St. Louis (on Moson)
10 4-9-2a.
Pittsbursh 8 1 1-2
Montreal
1 1 1-3
Smith (3), McPhee (1), Carbonnaou (1);
Simpson (4), Lemieux (4), Shefs on spatipresen 2 (2).
Pittsbursh (on Roy) 4-5-9-16; Montreal (on
Pittsbursh (on Roy) 4-5-16; Montreal (on Roy) 4-5-16; Mo versionignon
3 1 2-6
sundstrom (1), Gustafsson 2 (3), Carvellini
(2), Christian (2), Gortner (7); Dineen 2 (2).
Shots on goal: Horitord (on Molarchuk) 7-6
-19; Washington (on Sidorkiewicz) 13-1013-36.
Edmonton
9 4 1-5 (2), Christian (2), Gartner (7); Dineen 2 (2).
Shorts en geal: Horritord (an Majarchuk) 7.4
6—19; Washington (an Sidorkiewicz) 13-16-16-27.
Defrait 1 1 2—4
Toreate 2 3 2—7
Damphousse (1), P. Ihnacak (1), Fryeer (3), Gili 2 (4), Leenan 2 (2); Ashino (1), Procent (2), Kilima (4), Yzarman (2), Shorts en goal: Defrait (an Wreeget) 7.4-7—20; Yaranta (an Shorts en goal: Called (3), Mullen (2), Shorts en goal: Edman.

and Craig Collins and Scott Brooks, guards.

UTAH—Waived Art Sobb, guard, and ArtST. LOUIS—Sent Robert Dirk, detensaman,

MISSISSIPPI STATE—Named Larry Tem-

4; Logranes 3 ENGLISH FIRST DIVISION Chariton 9, Derby County 1 Cheisea 1, Coventry 0

Oxford 1, West Hom 2 Southempton 1, Wattord 0

Marselle S. La Hovre I
Lille I, Toulon 0
Lovol 4. Lens 0
Points: Monaco 22: Nontes, Bordeoux 19:
Rocino-Motro 18: Marselle, Si. Etlenne 17:
Metz, Niori, Connes 16: Montpellier, Auxerra
15: Lille, Nice, Toulouse 14: Toulon, Paris-5G
13: Lavol, Le Hovre 11: Brest, Lens 10.
WEST GERMAN FIRST DIVISION
TOUGH 1: Revor Marsellenge 0

Waking Mannheim 4 Karisruhe 1 Bayern Munich 4 Kaiserslautern 2 Homburg 3, Stuffgart 0 Points: Werder Bremen, Cologne 71; Bovern Munich 20; Borussia Monchengladbach 17; Stuffgart 15; Homburg 14; Karlsruhe 13; Nuremberg. Bover Leverkusen 12: Einfracht Frunkfurt, Honnover 11: Waldhof Marnhelm. Schalke, Kainerslautern 10: Bochum. Boruska Dortmund, Baver Verdingen 9: Homburg 8. OSU Coach Pat Jones. He said that quarterback Mike Gundy "was es-

ain. 1-up.

Semifinats

Woosnam del. Bollesteros, 1-up.
Lyle del. McNulty, third extra hole.

Oklahoma and Nebraska Stay on Collision Course

this week.

Compiled by Our Staff From Dispotches NEW YORK — Oklahoma and Syracuse, New York, quarterback Nebraska, ranked 1-2 since the start Don McPherson accounted for five of the season but playing like Nos. 1 touchdowns, including an 80-yard and I-A, remain on a collision pass to Rob Moore on the game's course after rolling over Big Eight first play from scrimmage. to help football opponents on Saturday. football opponents on Saturday.

Top-ranked Oklahoma, a nine-touchdown favorite, handled Kanfor three TDs and ran for two as

sas State 59-10, the Wildcats' 11th Syracuse broke a 16-game losing U.S. COLLEGE FOOTBALL consecutive defeat. No. 2 Nebraska, meanwhile, made surprisingly easy work of Oklahoma State, roll-

yards and winning by 35-0.
Oklahoma and Nebraska, both down on Nov. 21. The winner of national championship in the Orange Bowl on New Year's Day. Nine players scored for Oklaho-

oround."

Order of 40 points in its first five games.

Alabama 41, Tennessee 22: BirOklahoma Coach Barry Switzer,
she has every Saturday this season.

Dunn melting his formation a touchdown with could be if we put it on the of 40 points in its first five games. ground."

defense competed very well." (4-1-1) threw five i
"I had no idea we'd be able to lost two fumbles. control the game like that," said Nebraksa's coach, Tom Osborne. "I felt the strongest part of Oklahoma
State was their offense, but our dewith 3:10 left for the 4-1-1 Buckfense played a super ballgame." Nebraska, which had 36 first

downs to Oklahoma State's 16.

held the nation's rushing leader, Thurman Thomas, to seven yards in nine carries. Thomas had averaged 140 yards a game. Nebraska is 25-0-1 in its last 26 games against the Cowboys, who despite falling to 5-1 are off to their best start in 42 years. "We just absorbed a sound whipping," said

who were quicker than he was.' UCLA 41, Oregon 10: In Pasadena California, freshman Randy WORLD MATCHPLAY CHAMPIONSHIP Austin broke the game open by (Ar Weatworth, Enstand)
Quarterfinals
Sandy Lyle, Britolin, det. Larry Mize, U.S. 7
a fake punt, and the Bruins took
Rock, Arkansas 14: In Little
Rock, Arkansas, Bret Stafford
Found Tony Jones for a 18-yard

sentially running for his life — and

he was running away from people

register their rout of Oregon.

UCLA scored in a record 187th
consecutive game. Southern California had a run of 186 games withfornia had a run of 186 games withincluding a 19-varder to Frie Metincluding a 19-varder to Frie Metout a shutout from 1967 to 1983. including a 19-yarder to Eric Met- the players a standing ovation as

streak against Penn State. Syracuse improved to 6-0, the first time it has been undefeated this far in the season since it won the national title in 1959. Defending national champion Penn State, the

ing up a 466-43 margin in rushing East's traditional power, fell to 5-2. Auburn 20, Georgia Tech 10: In 6-0, have four more games each Atlanta, Jeff Burger capped a 91before their season-ending show- yard drive with a 4-yard TD pass to Lawyer Tillman with 24 seconds that game will likely play for the left and Aundray Bruce scored on

LSU 34, Kentucky 9: In Baton ma, which ourrushed Kansas State by 518-89. You make a mistake liams rushed for two touchdowns against them, and it's a touch-down," Kansas Coach Stan Parrish three first-half field goals. Kensaid. "I had nightmares Friday tucky, the No. 2 defense, in majornight thinking about how bad it college football, had allowed a total

as he has every Saturday this season, Dunn, making his first start, threw heaped praise on his opponent after a 90-yard touchdown pass and the blowout. "Kansas State played a Bobby Humphrey rushed for two very physical, scrappy game," he scores as the Crimson Tide grove's run capped a 10-play. 76-said. "They never quit and, their drubbed the Volunteers. Tennessee yard drive on Green Bay's first and (4-1-1) threw five interceptions and Ohio State 20, Purchie 17: In West Lafayette, Indiana, Matt

> with 3:10 left for the 4-1-1 Buckeyes, who had squandered a 17-0 halftime lead. Michigan St. 38, Northwestern 0: In Evanston, Illinois, Lorenzo White rushed for 187 yards and three touchdowns as the Spartans trounced Northwestern. White became the second player (behind

total to 4,099, including bowl games. Notre Dame 35, Air Force 14: In Colorado Springs, sophomore quarterback Tony Rice, replacing the injured Terry Andrysiak, ran for two touchdowns and Tim Brown returned a punt 74 yards for a score to spark the Irish.

Severation Bollesteros. Sooin, del. Seott Stimpson, U.S. 5-and-4.
Mork McNulty, South Africa def. Greg Norman, Australia. 1-up.
Ion Woosnom, Britain, def. Nick Foldo, Britain, 1-up.

Lon Woosnom, Britain, 1-up.

Lon Woosnom, 1-up.

Lon Woosn

another and the defense contributed five turnovers to lead the Steelers past Indianapolis. Bono's secinto the fourth quarter.

tral Division rivals.

Seahawks 37, Lions 14; In Ponti-

ac. Michigan, all-pro wide receiver Steve Largent, who crossed picket lines last week, caught 15 passes for 261 yards and three touchdowns as Seattle pounded Detroit. Quarterback Jeff Kemp, who also returned last week, threw four TD passes against a Detroit secondary of replacement players, Largent's num-ber of catches and yardage were

be previously held or shared.
Until Sunday, Kemp, a backup
to regular quarterback Dave Krieg,
hadn't thrown a single pass this

yard run. Linebacker Tippett blocked a Tony Zendejas field goal attempt late in the first half that Clayborn

Florian Kempf's fourth field goal of the game, a 21-yarder with 4:30 to play, boosted New Orleans to victory over the Bears, the last undefeated team in the NFL. Kempl also connected on kicks of 48, 31 and 42 yards, and John Fourcade threw a 14-yard touchdown pass to Eric Martin. The outcome dropped the Bears to 4-1, while New Orleans went to 3-2. No Bear regulars

Packers past Philadelphia in their last strike replacement game. Haronly possession of overtime, one that featured passes of 12 and 27 yards from quarterback Alan

football. Philadelphia, 1-4, lost all three strike replacement games.

Bues 20, Vikings 10: In Tampa, Forida. Kevin Walker returned an Ohio State's Archie Griffin) in Big Ten history to rush for more than 4,000 career yards as he raised his

Only one member of Tampa

out a shutout from 1967 to 1983. including a 19-yarder to End when the VCLA's last shutout was a 38-0 calf on fourth-and-10 from the Arthey walked off the field when the kansas 32. (AP, UPI)

Florido St, 32, Louisville 9
Georgio S2, Vanderbiit 24
James Modison 20, VMI 17
Kaniscky St, 36, AMiles 14
LSU 34, Kentucky 9
Moryland 14, Walke Forest 0
Memphis St, 45, Tulane 36
Mississiesel 24, SW Louisiena 14
R. Caralina S7, N. Caralina St. 14
S. Carelina S8, Virginia 10
Tenn-Chottenooaa 22, Ciriadel 19
MIDWEST

E. Michigan 25, Bett St. 28
Evarsville 28, Butter 28
Hithos 16, Wisconsian 14
Kent St. 27, W. Michigan 13
Michigan 37, Iowa 10
Michigan 32, Morthwestern
Miracsort 28, Indicate 17
Ohlo 32, 29, Purcus 17
Ohlo Wesleyun 24, Kenyan 17
Ohlo Wesleyun 24, Kenyan 51
Vaungstown St. 30, Austin Pear
Soutthwest

CFL Standings

Sulurday's Result

Baseball

man, Gaetti, Gladden. F Lombordazzi (1). 58—Gla man, Goeth, Glodden, HR-Glodden (1), Lembordozzi (1), SB-Glodden (1), Umpires-Home, Dave Phillips (AL); First, Lee Wever (NL); Second, Greg Kosc (AL); Third, John McSherry (NL); Leff, Ken Kalser (AL); Right, Terry Tata (NL),

Oct. 17: Minnesoto 10, SI. Louis 1 Oct. 18: St. Louis (Cox 11-9) at Minnesoh

MEN'S TOURNAMENTS

Cosh def. Becker, 6-3, 2-4, 7-6 (7-4). Final Lendi def. Cosh 6-4, 6-2, 6-4.

er, to the California Angels for Todd Fischer, pitcher; assismed Fischer to lawa of the American Association. MONTREAL—Aurounced it will not renew Low, infleider.
- ST.LOUIS—Drapped Jack Clork, first base-man, from active rester, Added Lee Tunnell, pitcher, to active rester.

BASKETBALL
National Besketball Association CHARLOTTE—Named Tom Cauch trainer.

CHARLOTTE—Named Tom Couch trainer.
GOLDEN STATE—Cut Darry! Johnson,
suord, and Terry Statts, forward; walved
Benny Bolton, forward, and Ron Lagette,
suard.
HOUSTON—Staned Raiph Sampson, forward, to a six-vear contract.
18DIANA—Worked Anthony Fraderick,
forward.
LA LAKERS—Wolved Kenny Travis and
Frank Ford, suards.
AILWAUKEE—Signed Chartie Davis, forword, to a ane-year contract. Released Bruno
Kongowolin, forward, and Steve Mitchell,
plant.

Hockey

Gavin (1), Williams (1), Dinson (3), Tur-980s (2): MacLean (2), Verbeek 2 (4), Shots an start; New Jersey (an Weeks) 7-10-12-1— 36; Harthord (an Chevrier) 16-7-16-3-34. Botton

POOTBALL
Canadian Football League
SASKATCHEWAN—Activated Denny Ferdinand, running back, from the injured list
and Piccal him on the reserve list. Piccal
Eddie Lowe, linebacker, on the reserve list.
Activated Billy Jackson, linebacker, from the
reserve list. Released Dous Davie and Jeff
Worlson, offensive linemen.
WINNIPEG—Put Richard Nemeth, tockle,
on the injured list for the remainder of season,
HOCKEY
Notional Hockey League
HARTFORD—Purchased the control of

European Soccer

CHAMPIONSHIP QUALIFIER
Group 2
Zerland G. Italy 0 SPANISH FIRST DIVISION Español (), Real Madrid 2 Athletic Bilboo 1, Real Sociedad 4 Las Palmas 2, Zaragoza 1

Standings

ton (on vernon) 5-8-9—22; Calgary (on Fuhr)
13-12-12-37.

Wiseless

Misseless

38; Hartford (en Carrotta)

8650a

Edmanten

2 1 1-4

Messler (5), Anderson (7), Gretzky (3), Locombe (2); Burridge 2 (4), Aiddleton (1),

Shots on sout: Boston (on Fuhr) 8-149-31;

Edmonton (on Lemelin) 8-18-35.

Chicago

3 8-3

1 1 8-2

TORONTO—Announced that Ken Yorem-chuk, torward, has lained the Canadian Olym-pic Hockey Team. VANCOUVER—Reassigned Dave

COLLEGE

Alietico de Madrid 1. Murcia 8
Valencia 9, Valiadelid 1
Sevilto 2, Gijon 8
Cadiz 1, Oscavna 1
Points: Real Madrid 14: Athletic Bilbao 10: Atletico Madrid, Velencia. Codiz 9: Celtra, Sevillo 8: Real Sociedod, Belts, Ossuna, Zaropaza, Valladelid 7: Maiorca, Gijon 6: Las Palmas 5: Murcia, Barcelona, Español, Sabadeli 4: Logrames 3.

Liverpool 4, Coventry 0
Liverpool 4, Queens Park 0
Lutan 2, Wimbledon 0
Manchester United 2, Norwich 1
Newcostle 1, Everton 1
Notitionham Energy 8, 2017 om Foresi 3. Sheffield Wed

Boyer Leverkusen (), Boyer Verdingen () Eintracht Frankfurt (), Cologne () Bor, Mönchengladbach (), Werder Bremen () Ber. Monchenglodbach 1, Nuremberg 1, Scholke 1 Homburg 1, Hannovik 1

Golf

, atu =

Los Angeles Times Service
WOODY CREEK, Colorado
For more than an hour, Hunter S. Thompson has been calmly and cogently presenting

his views on national politics between bites of his lunch. Suddenly, he stops in mid-sentence and emits a blood-curdling

He has detected a strand of hair on the lip of his drinking glass and cannot continue. Not just a small hair, but a "large, ugly, black-rooted hair" that is spoiling his jumbo tumbler of Chivas on the

Soon, everyone at the Woody Creek Tavern in this Rocky Mountain hamlet - from the manager to the neighborhood barfly -is holding the glass up to the light and examining it with the concentration of government health inspectors. No one can see any foreign matter - except for Thompson, who has worked himself into a snarling fever trying to get someone to admit that he's not just hallucinating.

Finally, the bartender Mary Harris defuses the crisis. "Why, yes," she says, turning the glass around, "I can see the hair now." Vindicated, Thompson placidly returns to his discourse.

For a few fleeting moments, the barroom has gotten a glimpse of the Gonzo journalist of old that literary lion of lunacy who used to prowl the corridors of power for Rousel to Wild Turkey in a quart of Wild Turkey in one hand and a bottle of amphet-amines in the other; the "Good Doctor" whose fear and loathing of American politics were expressed in hilariously vituperative attacks on national political figures; the founder and chief practitioner of a peculiar brand of "new journalism," which held that the story of the writer struggling to work through a drug- and alcohol-induced frenzy was a lot more interesting than whatever his editors had assigned.

Today, however, there is a new and possibly improved version of Hunter S. Thompson — a sedate. almost serene, scribbler of serious political prose for a syndicated column. What's different is both the man and his message. He's 50 years old now and he knows that what was charming when he was

30 or wild when he was 40 takes on a pathetic patina with the big Five-O. The outrageous outfits of Hawaiian shirts, baggy shorts and high-top sneakers are mixed these days with mountain-man khaki pants and flannel shirts.

And, sometimes, the man who once derided the United States as a nation of 220 million used-car lesmen "with no qualms at all about killing anybody else in the world" sounds suspiciously like a flag-waving, Republican-by-birth patriot. "This is the only nation in the world where your vote is heard. You make a difference." the new Thompson says with apparent sincerity. "You do have a say in things. Democracy is really not a bad idea if you pay atten-

One reason the change seems so marked is that for the last decade Thompson has been something of a recluse on his 100-acre farm here, content to leave the Gonzo image intact rather than go to the trouble of replacing it publicly. But the new Thompson is more "organized," more "sensitive," more "open to serious intellectual exchange," according to his

For confirmation that Gonzo is gone, just glance at the stack of political columns he has been writing for the San Francisco Examiner since 1985. (The column also has been appearing in about two dozen U.S. newspapers since August.) Thompson is devoting nearly all his 1,000 words a week to a discussion of the 1988 presidential candidates and issues instead of comically inflated ac-counts of his misadventures with dope, Dobermans and deranged

Thompson is rightfully proud that even back in the Gonzo days, mainstream journalists recog-nized that beneath all that LSDinduced gibberish lay an oftenastute political analyst. Garry Wills, among others, has praised Thompson's 1973 book, "Fear and Loathing on the Campaign Trail '72," as the most insightful of that peace provide the control of that peace provides in the control of the control study of that year's presidential

that he began betting on the out-



Hunter Thompson in his heyday as a Gonzo journalist.

come of each primary, a practice surance agent. Thompson began he continues to this day. "I just as a sportswriter for an Air Force from the political arena, he was

it," he says.
It may not be entirely an idle boast. In an Examiner column on the 1986 mid-term elections, Thompson correctly picked 15 of 17 Senate races.

One reason Thompson has said goodbye to Gonzo journalism founded when he was sent to write a story about the 1970 Kentucky Derby for Scanlon's magazine and, unable to cope with the deadline pressure, "just started jerking pages out of my notebook and numbering them and sending them to the printer" — is that drugs were always integral to his creative process.

Annohetamines helped him get his stream-of-conscious thoughts into the typewriter, he once ex-plained, while all the LSD he had taken in San Francisco's Haight-Ashbury in the mid-1960s helped him to dissolve his inhibitions. Today, the drugs have been cut

way back. "Oh yeah, I had to," he laments. "There's not enough election.

Thompson got so hooked on the rush of covering national politics in 1972 — "like a jackrabbit gets addicted to road-running" — that he hearn betting on the cut-

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PARIS PROMO

base newspaper in Florida. He was discharged honorably but early for his "flair for invention and imagination" and overall disregard for authority.

After various stops and starts, including a stint as a bowling writer in Puerto Rico, Thompson in 1960 began free-lancing articles about South American smuggling, the Free Speech Movement at Berkeley and the hippie drug

author of a 1967 book about the Hell's Angels. Though written fairly conventionally, the book employed the New Journalism technique of participating in the story, detailing how he rode with the Angels for a year until the motorcyclists savagely beat him during a brawl.

spite a dozen of turb" and "No Trespassing" signs in front of his home, not to mention his collection of 30 shotguns. And The Washington Post political writer Haynes Johnson pleaded plaintively in a column about the 1984 presidential election, "Hunter, where are you now that we need you?"

ocratic national convention in Chicago in 1968 that Thompson says he became politically radicalized. And once he discovered the Gonzo style of writing, he and Rolling Stone found each other in

Thompson's relationship with the magazine deteriorated in 1975 after he succeeded in getting sent to be a habit, like a drug," he says to Saigon during the last days

couldn't write anything about it save for rambling cables about his expenses and some lackinster pages from Laos.

After more or less cutting his ties with Rolling Stone, Thompson devoted himself to writing books, novels and screenplays. His 1971 book, "Fear and Loathing in Las Vegas," is probably his most critically acclaimed, but he also had huge success with "The Great Shark Hunt," a 1979 compilation of his articles.

In the 1980s, Thompson surfaced only occasionally. In 1983, he produced a best-selling book, "The Curse of Lono," chronicing in typical Gonzo fashion a Conrad-like dark journey to Hawaii, where Thompson started to believe he was the reincarnation of a god. That same year, he showed up at the U.S. invasion of Grenada (ostensibly to cover it) wearing a pair of pink linen golf pants that made him look like a Palm Beach tycoon who had taken a wrong

by no means forgotten. Cartoon-ist Garry Trudean immortalized him as Raoul Duke in the "Doonesbury" strip. "A lot of people want to grow up to be firemen and president," Thomp-son once said. "But nobody wants to grow up to be a cartoon charac-

On a regular basis, baby boomers who had cut their political teeth on Thompson's writing culture in Haight-Ashbury.

He first gained notoriety as the search of the Good Doctor de-

> In fact, Thompson was hiding out in Woody Creek and in the Florida Keys supposedly getting in the mood to write a new nove - suffering a massive case of writer's block. He's over it now, thanks in part to the pressure of penning the weekly column. "It's good to write every week. It gets

LANGUAGE

A 'Piece of Work' and Fatal Flaws

By William Safire WASHINGTON — In "Veil," his book about William J. Cachief spook and was apparently a key source for the newsman. "After a year," writes Woodward, "Inman had come to regard Casey as a 'piece of work,' a term that Casey often applied to the oddballs in their midst."

Although I never sought to peneto his frequent use of the term. "He's a piece of work," the director of Central Intelligence would mirmur, referring to a tempestnous leshaking his head in a mixture of gel! in apprehension how like a wonderment and either disapprov- god!" al or grudging admiration.

The phrase, as Casey used it, had a built-in ambiguity, which has not always been the case. The first citation in the Oxford English Dictionary's Supplement is under nasty: "a nasty piece (orbit) of work (or goods)." The mystery writer goods)." The mystery writer Agatha Christie preferred "nasty bit of goods," but the novelist Monckton Hoffe in 1928 described a villain as "really a rather nasty piece of work."

Even without the qualifying nasty, the British term piece of work long had a pejorative connotation. In a 1965 collection of short stories. Abioseh Nicol had a character think "what an obstinate and unpleasant piece of work the fellow was." This negative sense followed the phrase to the United States: in an interchange between famous novelists in 1978, after Gore Vidal dismissed Norman Mailer with He reads nothing at all — he's never read me," Mailer shot back, He's really such a corrupt and unpleasant piece of work when you get to know him."

The phrase first appeared in a circa 1540 interlude written by the dramatist John Heywood: Here is an eye-tooth of the Great

Whose eves be once set on this piece of work,

May happily lese part of his eyesight.

In that context, the phrase seems to convey admiration, but a halfcentury later, a new meaning of

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Dickens's novel "Martin Chuzzlewit": "What are you making all this piece of work for?"

Along the way, between the early coinage of piece of work to denote to get out. an intricate job and its later adoption (apparently throughout U.S. intelligence agencies) as applicable trate the dying Bill Casey's heavily to assets or targets who are "odd-guarded hospital room, I can attest ball, eccentric, weird," the phrase ball, eccentric, weird," the phrase was immortalized by William Shakespeare's Hamlet:

"What a piece of work is a man!

He was not suggesting man is some kind of flake. Consider Prince Hamlet himself: a man tortured by doubt, driven by dreams, trusting nobody, burdened by his bloody secrets, half-crazily pretending to be demented. There was a piece of work.

I REGRET more deeply than I can express," stated the presiden-tial candidate Alexander M. Haig Jr., "that the current proposed arms-control agreement is seriously flawed."

I give Haig credit for that: he avoided the most crashing cliche of treatymanship, that ringing tri-umph of alliteration, fatally flawed. Fatally flawed was Ronald Reagan's characterization of the SALT II treaty negotiated by the Carter administration, because he said it would not bring about reductions in large Soviet land-based missiles. The phrase worked well for him; in 1987, he told an interviewer that the plan put forward by Costa Ri-ca's President Oscar Arias Sanchez in Guatemala was fatally flawed. The New York Times, in rebuttal, editorialized: "The Guatemala plan, whatever its weaknesses, is not fatally flawed." The editorialist knew that, in the game of treaty flaws, to be seriously flawed is to mean "Look, this fixes, I could live with it," but to be fatally flawed is

to mean "This is one I want to run century later, a new meaning of Mopping the flaws with fatality hard task, difficult business" was has resulted in a waxy buildup of

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given the phrase in the author and translator Richard Carew's "It were an infinit peece of worke." in Dun's Review in 1975, "became WASHINGTON — In "Veil," translator Richard Carews in Dun's Review in 1975, "because in Dun's Review in 1975, "because in Jun's Review in 1975, "because it failed to tell a prospective easies of "Strained effort" it failed to tell a prospective easies of player what I could do for him." In inside the head of Bobby Ray Inman, who had been the deputy "ado, commotion" in Charles 1983, the United States ambassachief spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and the spook and was apparently a Dickens's novel "Martin dor to UNESCO, Jean Gerard and the spook and the s that the organization was "is skewed, so far off course, so fatally flawed" that the United States had

Indiana Senator Richard G. Lugar, observing a fraudulent election in the Philippines in 1986, refused to accept its legitimacy because the balloting was flawed in the way we have all come to know and leve Nor is the phrase limited to politic cal righties: a spokesman for the How noble in reason! how infinite Union of Concerned Scientists gal client or kooky foreign leader, in faculties! . . . how like an an- called Reagan's Star Wars proposal too costly to put up and too inex; pensive to shoot down, therefore "fatally flawed."

First use? Merriam-Webster has a 1916 citation from Sir Arthur. Quiller-Couch's "On the Art of Writing," in which the famed stylist crincizes a work for "the one fatal flaw that it imports emotion into a theme which does not properly admit of emotion." The lexicographer Fred Mish thinks the phrase goes back much further. Normally, the noun phrase would be constructed first - fatally flawed would come out of fatat flaw -and my guess is that fatal flaw is much older than 1916.

It could be that fatal flaw is rooted in tragic flaw. According to Stan Malless's and Jeff McQuain's "A Handlist to English," that tragic flaw, called in Greek hamaria, is "a fatal weakness in a tragic hero's character. In tragedy, hamartia causes the tragic hero's downfall or death. . . . Having too much ambition is one of the most common examples,

Which brings us back to presidents and candidates for president who search for fatal or at least serious flaws and eschew hubris, the excess of confidence that is another a v of the banana peels set in the paths 1.2

When a noun phrase ("That treaty has a fatal flaw") develops into an adjective modifying a norm ("That is one fatally flawed dish of catmeal"), it becomes known to grammarians as a participial phrase. Knowing that leads to his

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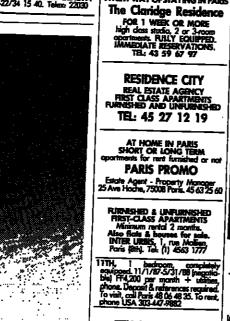
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